

# WatersEdge Ministry Services

Financial Statements and  
Independent Auditor's Report

**DECEMBER 31, 2025**



WatersEdge



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## Independent Auditor's Report

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

### ***Opinion***

We have audited the consolidated financial statements of The Baptist Foundation of Oklahoma d/b/a WatersEdge Ministry Services (WatersEdge), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of WatersEdge as of December 31, 2025, and the changes in its net assets and its cash flows for the year 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 Consolidated Financial Statements" section of our report. We are required to be independent of WatersEdge 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.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WatersEdge's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 WatersEdge's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WatersEdge's 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.

### **Report on Summarized Comparative Information**

We have previously audited the December 31, 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 24, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

**Forvis Mazars, LLP**

**Tulsa, Oklahoma  
April 23, 2026**

# WatersEdge Ministry Services

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	2025	2024
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,302,478	\$ 17,628,533
Certificates of deposit	1,321,162	1,266,416
Prepaid expenses and other	1,733,763	2,196,379
Ministry loans receivable, net	239,988,009	228,701,995
Accrued interest receivable	833,807	785,962
Investments		
Pooled investments	482,832,230	425,250,335
Other investments	69,716,957	44,391,315
Total investments	552,549,187	469,641,650
Derivative asset	-	390,144
Beneficial interest in trust managed by others	918,390	841,923
Property and equipment, net	21,454,205	20,984,057
<b>TOTAL ASSETS</b>	<b>\$ 829,101,001</b>	<b>\$ 742,437,059</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,108,121	\$ 1,425,441
Accrued postretirement benefits	393,354	376,407
Debt obligations	86,578	142,535
Notes payable	192,420,317	153,476,368
Accrued interest payable	86,567	336,592
Allowance for credit loss on unfunded commitments	317,980	180,797
Liabilities to beneficial owners		
Liability to income beneficiaries under split-interest agreements	5,625,813	5,437,625
Assets held for others	398,995,448	372,009,334
Refundable advances	135,844,066	138,861,136
Total liabilities to beneficial owners	540,465,327	516,308,095
<b>TOTAL LIABILITIES</b>	<b>734,878,244</b>	<b>672,246,235</b>
<b>Net assets</b>		
Without donor restrictions		
Undesignated	26,436,671	12,686,696
Board designated	5,307,407	6,025,632
Funds advised by donors	36,800,316	27,352,007
Total without donor restrictions	68,544,394	46,064,335
With donor restrictions	25,678,363	24,126,489
<b>TOTAL NET ASSETS</b>	<b>94,222,757</b>	<b>70,190,824</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 829,101,001</b>	<b>\$ 742,437,059</b>

The accompanying notes are an integral part of these statements.

# WatersEdge Ministry Services

## CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2025  
(with summarized comparative financial information for the year ended December 31, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Net interest income				
Loans interest income, net	\$ 11,245,330	\$ 2,203,349	\$ 13,448,679	\$ 10,735,094
Notes payable interest expense	(11,333,906)	-	(11,333,906)	(9,321,537)
Total net interest income	<u>(88,576)</u>	<u>2,203,349</u>	<u>2,114,773</u>	<u>1,413,557</u>
Provision for credit losses on loans	17,081	-	17,081	315,498
Provision (credit) for credit losses on unfunded commitments	137,183	-	137,183	(255,389)
Total net interest income after provision	<u>(242,840)</u>	<u>2,203,349</u>	<u>1,960,509</u>	<u>1,353,448</u>
Revenues, gains and other support				
Fees for asset management and trust administration	4,285,749	-	4,285,749	4,185,114
Fees for ministry accounting services	4,015,396	-	4,015,396	3,046,382
Investment return, net	3,643,045	2,508,311	6,151,356	2,295,852
Change in value of beneficial interest in trust managed by others	-	100,167	100,167	7,266
Other revenues and support				
Cooperative program allocation	26,199	-	26,199	28,936
Contributions	10,540,953	312	10,541,265	4,378,797
Contributed nonfinancial assets	13,977,773	-	13,977,773	7,200,000
Other support	1,799,215	(5,109)	1,794,106	1,728,162
Reclassification of net assets				
Appropriations from endowments	3,255,156	(3,255,156)	-	-
Total revenues, gains and other support	<u>41,543,486</u>	<u>(651,475)</u>	<u>40,892,011</u>	<u>22,870,509</u>
Expenses and distributions				
Program services				
Estate planning, trust, investment and lending services	8,141,731	-	8,141,731	7,253,548
Distributions to students, elderly and charitable causes	5,617,731	-	5,617,731	6,868,058
Management and general	5,079,109	-	5,079,109	4,025,488
Total expenses and distributions	<u>18,838,571</u>	<u>-</u>	<u>18,838,571</u>	<u>18,147,094</u>
Pension related changes other than net periodic pension costs	17,984	-	17,984	(43,126)
CHANGE IN NET ASSETS	22,480,059	1,551,874	24,031,933	6,033,737
Net assets at beginning of year	<u>46,064,335</u>	<u>24,126,489</u>	<u>70,190,824</u>	<u>64,157,087</u>
Net assets at end of year	<u>\$ 68,544,394</u>	<u>\$ 25,678,363</u>	<u>\$ 94,222,757</u>	<u>\$ 70,190,824</u>

The accompanying notes are an integral part of these statements.

# WatersEdge Ministry Services

## CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31,

	2025	2024
<b>Cash flows from operating activities</b>		
Cash received as fees for asset management and trust administration	\$ 4,285,749	\$ 4,185,114
Interest received on ministry loans receivable, net	13,400,834	10,486,300
Interest paid on notes payable	(11,583,931)	(10,306,363)
Interest, dividends and other investment income received	2,264,097	2,066,131
Cash received from donors and under Cooperative Program	10,567,152	4,400,479
Cash paid to employees, suppliers, and to benefit recipients	(18,367,033)	(17,370,608)
Cash received from other sources	5,945,710	3,790,415
<b>Cash flows related to assets held for beneficial owners</b>		
Cash received from or on behalf of beneficial owners	39,809,243	47,191,618
Earnings on assets held for beneficial owners	13,323,314	15,996,608
Distributions to or on behalf of beneficial owners	(79,668,589)	(81,607,344)
	<b>(26,536,032)</b>	<b>(18,419,118)</b>
Net cash used in operating activities	<b>(20,023,454)</b>	<b>(21,167,650)</b>
<b>Cash flows from investing activities</b>		
Purchases of certificates of deposit	(1,338,150)	(1,278,923)
Sales of certificates of deposit	1,283,404	1,219,352
Purchases of pooled investments	(274,458,210)	(252,373,427)
Sales of pooled investments	266,358,526	260,931,669
Collections on notes receivable	9,814	12,129
Advances on ministry loans receivable	(57,607,085)	(71,750,967)
Collections on ministry loans receivable	40,033,655	16,676,699
Proceeds from sale of participation agreements	6,716,816	5,204,122
Payments to participation agreement owners	(644,084)	(331,508)
Purchases of other investments	(28,772,514)	(1,340,452)
Sales of other investments	23,149,457	18,626,477
Payments for settlement of closed futures contracts	-	(7,725)
Proceeds from settlement of closed futures contracts	183,456	9,018
Proceeds from disposal of other assets	-	457,888
Purchases of property and equipment	(1,160,590)	(13,560,254)
Sales of property and equipment	54,600	134,250
Net cash used in investing activities	<b>(26,190,905)</b>	<b>(37,371,652)</b>
<b>Cash flows from financing activities</b>		
Proceeds from sale of notes payable	92,537,299	81,899,914
Withdrawal of maturing notes payable	(53,593,350)	(38,408,191)
Proceeds from long-term debt	-	169,632
Payments on long-term debt	(55,957)	(27,097)
Proceeds from contributions restricted for investment in endowments	312	7,254
Net cash provided by financing activities	<b>38,888,304</b>	<b>43,641,512</b>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(7,326,055)</b>	<b>(14,897,790)</b>
Cash and cash equivalents at beginning of year	<b>17,628,533</b>	<b>32,526,323</b>
Cash and cash equivalents at end of year	<b>\$ 10,302,478</b>	<b>\$ 17,628,533</b>

**Noncash activities:**

Liabilities to beneficial owners include net realized and unrealized gains of \$42,929,453 and \$25,007,226, noncash receipts of other investments of \$9,974,088 and \$13,388,821 for 2025 and 2024 respectively, and noncash disposals of other investments of \$2,254 for 2025. Investments benefitting WatersEdge include net realized and unrealized gains (losses) of \$3,887,259 and \$236,987 for 2025 and 2024, respectively. WatersEdge received noncash contributions of \$13,977,773 other investments in 2025 and \$7,200,000 of fixed assets in 2024. In 2025, WatersEdge received real estate collateral from a borrower in lieu of foreclosure on ministry loans receivable totaling \$233,153. WatersEdge donated other real estate owned of \$233,153 in 2025 and furniture and equipment of \$109,800 in 2024.

The accompanying notes are an integral part of these statements.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

The Baptist Foundation of Oklahoma, dba WatersEdge Ministry Services (WatersEdge) 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. WatersEdge qualifies as a 501(c)(3) public charity.

On May 1, 2018, WatersEdge formed a Church Extension Fund (CEF) by completing 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, 2025, WatersEdge offered notes payable in the aggregate principal amount of \$375,000,000. On December 1, 2025, the Circular was amended to expand the offered notes payable aggregate principal amount to \$475,000,000. As of December 31, 2025, WatersEdge had notes payable in thirty-three states. WatersEdge uses the proceeds from the sale of these notes payable to make ministry loans to finance capital improvement projects.

WatersEdge formed 25:21, LLC (25:21) on November 15, 2016 with the purpose of allowing internally managed pools to participate as a direct investor in local investing opportunities. WatersEdge is the sole member of 25:21. At December 31, 2025, 25:21 had invested capital into three real estate companies within the same development, none of which have an outstanding capital commitment remaining. 25:21 is an Oklahoma limited liability company and will continue perpetually until terminated pursuant to statute or any provision of the operating agreement.

WatersEdge formed WatersEdge Bricktown Holdings, LLC (WEBH) on March 14, 2024 with the purpose of acquiring and operating an office building. WatersEdge is the sole member of WEBH. WatersEdge occupies approximately 25% of the office building. Approximately 50% of the office building is leased to affiliated entities and approximately 5% of the office building is leased to others. WEBH is an Oklahoma limited liability company and will continue perpetually until terminated pursuant to statute or any provision of the operating agreement.

During 2025, WatersEdge received a noncash contribution consisting of a 100% ownership interest in a privately held limited liability company (Gifted LLC). The gift was valued at its estimated fair value on the date of receipt as determined by an independent appraisal. In accordance with the donor's request for anonymity, the name of the entity is not disclosed.

WatersEdge, in the capacity of trustee, holds, administers, and invests assets for the Convention and institutions affiliated with the Convention, as well as for its own account. Trusts may have other charitable or noncharitable beneficiaries. Interests of WatersEdge, Convention or affiliates of the Convention may be total or may represent only income or remainder interests. WatersEdge also holds assets for investment in a custodial capacity for the Convention and its affiliates. In addition, WatersEdge administers trusts where affiliated organizations serve as trustee.

Activities of WatersEdge include estate stewardship and gift planning for the Convention and its affiliates. Staff members work with Southern Baptist churches and associations both within and outside the state of Oklahoma to encourage financial support for local, state, and national institutions through lifetime and testamentary planning.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

WatersEdge receives financial support primarily from fees charged for the administration and investment of assets. In addition, annual appropriations are received from the Convention through its Cooperative Program.

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

#### 1. Consolidation

The accompanying consolidated financial statements (financial statements) have been prepared on the accrual basis and include the activities and net assets of its wholly owned subsidiaries, 25:21, WEBH, and Gifted LLC. All significant intercompany balances and transactions have been eliminated.

#### 2. 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 WatersEdge Board of Directors (Board) for use for its associated programs, general expenditure, and investment in property and equipment.

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 while permitting an annual appropriation. 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 either benefit WatersEdge directly or do not benefit WatersEdge. Net assets benefitting WatersEdge are subject to appropriation for general needs and expenditures. Net assets not benefitting WatersEdge are subject to expenditure for a specific purpose for which WatersEdge holds discretion on the distribution.

The liability to income beneficiaries for future payments is determined by applying an annual discount rate of 5% (which equals the estimated long-term return on investments) to estimated payments under the agreements.

#### 3. Cash and Cash Equivalents

WatersEdge maintains its cash and cash equivalents in bank deposit accounts, broker margin accounts, money market funds, and short-term certificates of deposit, 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. WatersEdge 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 instruments readily convertible into cash to be cash equivalents except for those held as part of its investment portfolio, which are not considered to be cash equivalents, but rather a part of pooled investments. As discussed further in Notes C and G, in 2024, a portion of margin cash was required to be held with a broker to maintain derivative positions.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

#### 4. Certificates of Deposit

Certificates of deposit include time certificates invested in the church extension fund of Christian Financial Resources, which are not FDIC insured. At December 31, 2025, \$1,321,162 was 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.

#### 5. Ministry Loans Receivable, net

WatersEdge 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.

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 approves the methodology used to establish interest rates so that the rates reflect market conditions. The adjustable interest rate on each ministry loan is adjusted either on a 1-, 3-, 7-, or 10-year basis, dependent on terms selected by the borrower at the time of loan origination. Ministry loans mature at various dates through December 2052 and bear interest at rates ranging from 3.45% to 8.25%.

Loans are presented net of participations, the ACL on loans, and any unamortized deferred fees or costs. Accrued interest receivable on loans totaled \$833,807 and \$785,962 at December 31, 2025 and 2024, respectively. Accrued interest receivable on loans 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 are made 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 WatersEdge. 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 ministry loans receivable. These agreements, because they are all similar in nature, are aggregated on these financial statements and reported within ministry 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. A 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 WatersEdge.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

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, loan concentrations, 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.

The ACL on loans represents estimated risk of loss within the WatersEdge 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:

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

WatersEdge 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. The weighted-average remaining maturity of the loan pools ranged from 0 years to 8.63 years at December 31, 2025.

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. WatersEdge uses a forecast period of one year. The primary macroeconomic drivers within the model are federal unemployment and inflation at December 31, 2025.

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.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

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 WatersEdge 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. WatersEdge had no loans on nonaccrual status and for which an individual reserve was established at December 31, 2025 and one loan on nonaccrual status and for which an individual reserve was established at December 31, 2024.

#### *Off-Balance-Sheet Credit Exposures*

In the ordinary course of business, WatersEdge enters into commitments to extend credit. Typically, these commitments arise from construction loans that have closed but have not yet been 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 statement of financial position.

WatersEdge estimates expected credit losses over the contractual period in which WatersEdge 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 historical experience of WatersEdge 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 statement of financial position.

#### 6. Derivative Instruments

WatersEdge may utilize derivative instruments. Derivative instruments are carried at fair value and changes in fair value are reported in income as they occur. Fair values for exchange-traded contracts are based on quoted prices in an active market for identical instruments. Derivative contracts require WatersEdge to provide margin as collateral.

#### *Pooled Investments*

S&P Futures contracts are derivative instruments which are strategically used as part of the asset allocation of pooled investments to gain exposure to equity markets. Changes in the fair value of derivative instruments attributable to WatersEdge are included in the statements of activities as investment return without donor restrictions and the statements of cash flows as other investment income received. Changes in the fair value of derivative instruments attributable to others are included as investment return on liabilities to beneficial owners and the statements of cash flows as earnings on assets held for beneficial owners. Margin is included in the statements of financial position as pooled investments.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

#### *Church Extension Fund*

WatersEdge utilized a hedge against interest rate changes. Changes in the fair value of derivative instruments are included in other support in the statements of activities. Margin is included in the statements of financial position as cash and cash equivalents and other investments and the statements of cash flows as cash received from other sources. During 2025, WatersEdge exited all open positions and therefore held no derivative positions at December 31, 2025. See Note G for an explanation of derivative positions at December 31, 2024.

#### 7. Investments

##### *Pooled Investments*

WatersEdge pools the assets under its ownership, administration, or control into various equity, fixed income, and alternative investment pools.

Pro rata ownership in the pools is determined under a system in which units of ownership are recorded to represent each member's share of the total market value of assets. Investment interest, dividends, gains, losses, and appreciation or depreciation in market value are allocated based on each pool member's percentage of ownership represented by these units. The cost of securities sold is determined on a specific identification basis.

Developed market and emerging market equities consist primarily of cash equivalents and marketable equity securities which are carried at fair value provided by brokers.

Fixed income assets consist primarily of cash equivalents and corporate and governmental debt securities which are carried at fair value provided by brokers. Fixed income assets also include a real estate loan carried at the total principal balance net of an ACL and unamortized deferred fees. The real estate loan was made to a real estate fund in which 25:21 is an investor, as discussed further in Note R. All policies previously described for Ministry Loans are applicable to this real estate loan as well.

Alternative investments consist primarily of cash equivalents, futures contracts, and other private partnership investment vehicles including, but not limited to, venture capital, private equity, and hedge funds. Alternative investments are primarily carried at the net asset value (NAV) of the fund as provided by the administrator or general partner. Management evaluates the values provided based on several factors, including obtaining an understanding of the fund's underlying investments, strategy, positions and valuation methodologies, obtaining audited financial statements, obtaining verification of transactions at or near year-end, and comparing information provided by the fund administrator or general partner to other available information such as sector data and indices. Because alternative investments are not readily marketable, their NAV is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such a difference could be material. Realized and unrealized gains and losses for WatersEdge investments are reflected in the statements of activities.

##### *Other Investments*

Other investments stated at fair value consist primarily of corporate stocks, mutual funds, fixed income instruments, oil and gas income-producing properties, and alternative investments. The corporate stocks, mutual funds, and fixed income instruments are stated at fair value provided by brokers.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

Oil and gas income producing properties are stated at fair value as calculated by WatersEdge at five times the annual income from that property. The alternative investments are stated at fair value as determined by WatersEdge after examining current purchases and sales of the fund as provided by the audit of the fund in addition to observing partnership agreements and current offering documents.

Certain other investments, including notes, investment real estate, other debt instruments redeemable at face value and annuity contracts, are carried at contributed or acquisition value as these assets do not have readily determinable market values. WatersEdge evaluates cost basis investments for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. When required, impairment losses are recognized based upon the estimated fair value of the investment.

#### *Investment Income*

Investment 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. Beneficial Interest in Trust Managed by Others

WatersEdge is the beneficiary of an irrevocable trust held and administered by Citizens Bank & Trust. Under the terms of the perpetual trust, WatersEdge has the irrevocable right to receive a portion of the income earned on the trust assets. The fair value was recognized as an asset and as a contribution with donor restrictions at the date the trust was established. Fair value estimates are based on information received from the trustees. The assets primarily consist of cash and cash equivalents, fixed income securities, and mutual funds. These assets are not subject to the control or discretion of WatersEdge.

Gains and losses, which are not distributed by the trusts, are reflected as change in value of beneficial interest in the statements of activities.

#### 9. Remainder Interests in Assets Managed by Others

Remainder interests in assets managed by others are carried at the present value of expected future cash flows with realized and unrealized gains and losses reflected in the statements of activities.

#### 10. Property and Equipment

Major expenditures for property and equipment are capitalized at cost while donated property and equipment are capitalized at fair value at the date of the gift. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful lives predominately range from 3 to 10 years for property and equipment other than buildings, which are depreciated for 40 years. No provision is made for depreciation on properties carried as other investments.

WatersEdge evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. When required, impairment losses are recognized based upon the estimated fair value of the asset. There were no indicators of impairment identified upon evaluation at December 31, 2025 and 2024.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

#### 11. Leases

##### *Lessee Arrangements*

WatersEdge determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the accompanying statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. WatersEdge determines lease classification as operating or finance at the lease commencement date and combines lease and non-lease components in calculating the ROU assets and lease liabilities.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. WatersEdge has made a policy election to use a risk-free rate for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term. The lease term may include options to extend or terminate the lease that WatersEdge is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

WatersEdge has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

##### *Lessor Arrangements*

WatersEdge provides office space to tenants through operating lease agreements, some of which are leased to related parties as described in Note R. Operating lease income is recognized on a straight-line basis and is included in the statements of activities as other support without donor restrictions.

#### 12. Notes Payable

WatersEdge 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 December 2030 and bear interest at rates ranging from 2.05% to 5.15%.

#### 13. Deferred Loan Fees

Direct loan origination costs are offset against loan fees received and only the net amount is deferred and amortized over the life of the loan. Rate adjustment fees assessed in connection with voluntary interest rate reductions are amortized through the next regularly scheduled repricing date. 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 loan fees will be credited to interest income on the day the loan is paid off.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

#### 14. Liabilities to Beneficial Owners

WatersEdge has recorded liabilities for assets held as trustee, intermediary, custodian, or agent for beneficial owners of income or remainder interests. Generally, the liability of WatersEdge is limited to assets held within a specific trust or account. WatersEdge, however, may be responsible for the payments to annuitants under certain gift annuity contracts out of its own assets.

#### 15. Funds Advised by Donors

Donor-advised funds are reported within net assets without donor restrictions as WatersEdge has variance power, or legal control, over the assets in each account. Each account has an advisor, or advisors, that retain advisory privileges with respect to the investment of the assets and distribution of the funds. WatersEdge does not intend to use these assets for general expenditures. Instead, WatersEdge desires to honor these requests if the advisement meets legal guidelines and does not conflict with the mission of WatersEdge. The following is a summary of donor advised funds for the years ended December 31:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Distributions</u>	<u>Investment Return</u>	<u>Ending Balance</u>
2024	\$ 27,713,408	\$ 4,371,543	\$ (6,170,683)	\$ 1,437,739	\$ 27,352,007
2025	\$ 27,352,007	\$ 11,982,232	\$ (4,781,006)	\$ 2,247,083	\$ 36,800,316

#### 16. Appropriations to Preserve Principal

According to the terms of certain trust provisions, a portion of income may be added to corpus to preserve the value of the trust corpus according to donor stipulation.

#### 17. Contributions

Contributions are provided to WatersEdge either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value

WatersEdge has not received, nor is expected to receive, conditional gifts that depend on WatersEdge overcoming a donor-imposed barrier to be entitled to the funds. If this were to occur, the gift would not be recognized until it becomes unconditional. Conditional contributions having donor stipulations which are satisfied in the period the gift is received would be recorded as revenue and net assets without donor restrictions.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

Likewise, WatersEdge has not received, nor is expected to receive long-lived assets from donors. If this were to occur, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service (absent explicit donor stipulations for the period of time that must be held).

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts and investment income having donor stipulations that are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

#### *Nonfinancial Contributions*

In 2024, through its WEBH, WatersEdge purchased a building, accompanying land, and included fixtures in a bargain sale transaction. The property had an appraised value of \$17,700,000 and was acquired for \$10,500,000 cash (gross of closing costs). The resulting difference of \$7,200,000 is recorded as contributed nonfinancial assets without donor restrictions on the statements of activities. The building will be held and used by WatersEdge for its operations. WatersEdge will also rent space to the Convention and its affiliates as described further in Note R.

In 2025, WatersEdge received a Gifted LLC from a donor. The main asset of the Gifted LLC is a real estate property. The property, including buildings, had an appraised value of \$12,500,000 and is recorded as contributed nonfinancial assets without donor restrictions on the statements of activities. The property, including buildings, will be listed for sale in 2026 once the donor has vacated the premises. Additional gifts of nonfinancial assets in 2025 consisted of shares in a family-owned business, residential real estate properties, and other smaller gifts. The following gifts were sold and liquidated shortly after receipt.

The following is a summary of contributions for the year ended December 31, 2025:

	<u>Financial Assets</u>	<u>Nonfinancial Assets</u>
Without Donor Restrictions		
Contributions to funds advised by donors	\$ 10,515,953	\$ 1,466,279
Contributions to WatersEdge operations	25,000	12,511,494
With Donor Restrictions	<u>312</u>	<u>-</u>
	<u>\$ 10,541,265</u>	<u>\$ 13,977,773</u>

#### 18. Recognition of Revenue

##### *Asset management and trust administration fees*

Asset management and trust administration fees are collectively recognized over the period that assets are managed in an administered trust. Revenue is reported at the amount of consideration which WatersEdge expects to be entitled in exchange for providing the services. WatersEdge determines the transaction price based on standard fees approved by the Board on an annual basis.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

#### *Ministry accounting fee income*

Ministry accounting revenue is recognized as WatersEdge satisfies performance obligations under its service contracts. Revenue is reported at the transaction price that WatersEdge expects to be entitled in exchange for providing services. WatersEdge determines the transaction price based on service contracts or based on a standard rate per hour for special projects and services beyond the scope of signed contracts. Ministry accounting revenue is recognized over the period that services are provided in the statement of activities as other support.

#### 19. Endowment

The endowment of WatersEdge consists of individual funds established to provide financial support, in perpetuity, to the ministry of WatersEdge. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment also includes funds without donor restrictions that have been designated by the Board to function as an endowment.

#### *Interpretation of Relevant Law*

The Board has determined that the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) applies to WatersEdge endowment funds. UPMIFA provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations, and 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.

WatersEdge 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 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*

WatersEdge has adopted an investment policy for endowment assets designed to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the future purchasing power of the endowment assets. The fundamental investment objectives for the investments are to ensure safety and preservation of the principal, meet liquidity needs, and apply diversification appropriate for the investment pools to achieve optimal net investment returns subject to risk tolerance, investment pool objectives, and policy constraints.

#### *Investment Policy Statement – Strategies employed for achieving objectives*

To satisfy its long-term rate-of-return objectives, WatersEdge seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). WatersEdge targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term return objectives within prudent risk constraints.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

#### *Spending Policy Statement*

In making expenditures from endowment funds, WatersEdge first complies with any restriction or requirements in the gift instrument as to purpose and amount. Except as otherwise provided by the gift instrument, the Board considers all relevant considerations including but not limited to the long- and short-term needs of WatersEdge in carrying out its purpose, expected total return on investments, and general economic conditions.

The spending or distribution policy as determined under a method adopted by the Board provides for the establishment of an “annual dividend.” The calculation method for the annual dividend considers the prior year’s dividend, adjusted for inflation using the Consumer Price Index within a specified range established by the Board.

#### *Underwater Endowment Funds*

WatersEdge 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. WatersEdge complies with UPMIFA and has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law.

#### 20. 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.

#### 21. Tax Status

WatersEdge is a not-for-profit corporation and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code except for amounts relating to unrelated business income. WatersEdge is an integrated auxiliary of a church; therefore, it is not required to file Form 990.

For the years ended December 31, 2025 and 2024, WatersEdge reported unrelated business income tax for federal and state purposes. While WatersEdge incurred current tax liabilities in both years, it has generated net operating loss carryforwards that may be utilized to offset future unrelated business taxable income, subject to applicable limitations. WatersEdge has generated a federal net operating loss carryforward of approximately \$1,497,000. The projected deferred tax asset associated with these net operating losses, calculated using enacted federal and state tax rates, has been recorded in the accompanying financial statements. The increase in WatersEdge’s net operating loss represents a deferred tax benefit that is a component of the excise tax provision. WatersEdge anticipates utilizing these net operating losses within the next few years, so no valuation allowance has been recorded.

WatersEdge believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. WatersEdge follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more likely than not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The wholly owned subsidiaries of WatersEdge are each Oklahoma limited liability companies and, therefore, are treated as disregarded entities for income tax purposes. As disregarded entities, each is exempt from federal and state income taxes except for amounts relating to unrelated business income, of which there was none for 2025 or 2024.

#### 22. Functional Allocation of Expenses

The costs of providing various services, programs, and supporting activities have been summarized on a functional basis in the statements of activities. Note P presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of WatersEdge are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on individual cost drivers for each natural classification.

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

#### 23. 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 allowance for loan losses and the fair value of investments.

#### 24. Revision

Certain immaterial revisions have been made to the 2024 financial statements for the presentation of alternative assets based on a change in the valuation methodology used to identify fair value. In Note C, certain funds were removed from the tabular disclosure of fair value determined using NAV. In Note E, the revision moved certain funds from alternative investments carried at NAV to Alternative investments – valued using Level 3 inputs. Since the amount of investments valued using Level 3 inputs increased, the reconciliation of Level 3 inputs was revised.

#### 25. Reclassifications

Reclassifications of prior year comparative information have been made to conform to current year presentation. These reclassifications had no effect on total net assets or the change in net assets.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

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

#### 26. Summarized Prior Year Information

The financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements of WatersEdge for the year ended December 31, 2024, from which the summarized totals were derived.

### NOTE B – MINISTRY LOANS RECEIVABLE, NET

WatersEdge provides loans primarily to ministries for building projects but also provides loans for other ministry purposes. The lending policy of WatersEdge requires all secured loans 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, WatersEdge can pursue normal legal actions to foreclose upon or repossess the collateral securing the loan.

The following summarizes loans at December 31:

	2025	2024
Ministry building	\$ 256,315,104	\$ 233,917,751
Church camp	323,984	5,156,025
Unsecured	153,239	214,411
Other	375,106	357,914
Total loans	<u>257,167,433</u>	<u>239,646,101</u>
Participations	<u>(15,318,146)</u>	<u>(9,245,414)</u>
Loans, net of participations	241,849,287	230,400,687
Less deferred loan fees	(360,791)	(210,127)
Less allowance for credit losses on loans	(1,500,487)	(1,488,565)
Loans, net	<u>\$ 239,988,009</u>	<u>\$ 228,701,995</u>

For purposes of determining the ACL on loans, WatersEdge disaggregates its loans into portfolio segments. Each portfolio segment possesses unique risk characteristics that are considered when determining the appropriate level of allowance. Loan portfolio segments included the following:

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

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE B – MINISTRY LOANS RECEIVABLE, NET – CONTINUED

Other loans: Loans in this segment do not fit into the other segments that have been established. At December 31, 2025 and 2024, each of these loans is secured by a custodial account held by WatersEdge.

The interest rate on accruing loans adjusts on a 1-, 3-, 5-, 7, or 10-year basis, dependent on terms selected by the borrower at the time of loan origination.

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

	Ministry Building	Church Camp	Unsecured	Other	Total
	2025				
Allowance for credit losses on loans:					
Beginning balance	\$ 1,463,303	\$ 20,839	\$ 2,830	\$ 1,593	\$ 1,488,565
Provision (credit) for credit losses	37,572	(19,971)	(746)	226	17,081
Loans charged off	(5,159)	-	-	-	(5,159)
Recoveries of amounts previously charged-off	-	-	-	-	-
Balance at end of year	<u>\$ 1,495,716</u>	<u>\$ 868</u>	<u>\$ 2,084</u>	<u>\$ 1,819</u>	<u>\$ 1,500,487</u>
Allowance for off-balance-sheet credit risk for unfunded commitments:					
Beginning balance	\$ 180,797	\$ -	\$ -	\$ -	\$ 180,797
Provision for unfunded commitments	137,183	-	-	-	137,183
Balance at end of year	<u>\$ 317,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,980</u>
	2024				
Allowance for credit losses on loans:					
Beginning balance	\$ 1,146,690	\$ 22,227	\$ 3,396	\$ 754	\$ 1,173,067
Provision (credit) for credit losses	316,613	(1,388)	(566)	839	315,498
Loans charged off	-	-	-	-	-
Recoveries of amounts previously charged-off	-	-	-	-	-
Balance at end of year	<u>\$ 1,463,303</u>	<u>\$ 20,839</u>	<u>\$ 2,830</u>	<u>\$ 1,593</u>	<u>\$ 1,488,565</u>
Allowance for off-balance-sheet credit risk for unfunded commitments:					
Beginning balance	\$ 436,186	\$ -	\$ -	\$ -	\$ 436,186
Provision for unfunded commitments	(255,389)	-	-	-	(255,389)
Balance at end of year	<u>\$ 180,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,797</u>

### Credit Quality Indicators

To assess the credit quality of loans, WatersEdge 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. WatersEdge 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.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE B – MINISTRY LOANS RECEIVABLE, NET – CONTINUED

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 WatersEdge 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:

	<u>Ministry Building</u>	<u>Church Camp</u>	<u>Unsecured</u>	<u>Other</u>	<u>Total</u>
2025					
Risk rating					
Pass	\$ 255,109,319	\$ 323,984	\$ 153,239	\$ 375,106	\$ 255,961,648
Special mention	44,099	-	-	-	44,099
Substandard performing	1,161,686	-	-	-	1,161,686
Substandard nonperforming	-	-	-	-	-
Doubtful	-	-	-	-	-
Total loans	<u>\$ 256,315,104</u>	<u>\$ 323,984</u>	<u>\$ 153,239</u>	<u>\$ 375,106</u>	<u>\$ 257,167,433</u>
2024					
Risk rating					
Pass	\$ 232,337,488	\$ 5,156,025	\$ 214,411	\$ 357,914	\$ 238,065,838
Special mention	-	-	-	-	-
Substandard performing	1,330,370	-	-	-	1,330,370
Substandard nonperforming	249,893	-	-	-	249,893
Doubtful	-	-	-	-	-
Total loans	<u>\$ 233,917,751</u>	<u>\$ 5,156,025</u>	<u>\$ 214,411</u>	<u>\$ 357,914</u>	<u>\$ 239,646,101</u>

#### *Non-accruing 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. WatersEdge had no ministry loans on nonaccrual status at December 31, 2025 and one ministry loan on nonaccrual at December 31, 2024. This nonaccrual loan had an unpaid principal balance of \$249,893 at December 31, 2024. The related ACL on non-accruing loans was \$99,893 at December 31, 2024. Had the nonaccrual loan performed in accordance with its most recently modified contractual terms, WatersEdge would have recognized additional income of approximately \$6,000 and \$11,000 for 2025 and 2024, respectively.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE B – MINISTRY LOANS RECEIVABLE, NET – CONTINUED

#### *Collateral-Dependent Loans*

WatersEdge 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. WatersEdge had no collateral-dependent loans at December 31, 2025 and 2024.

#### *Modifications*

From time to time, WatersEdge 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.

One loan was modified in 2024. No loans were modified in 2025. During 2025 and 2024, no loans defaulted that were previously modified.

#### *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			
2025:						
Ministry building	\$ 1,161,686	\$ -	\$ 1,161,686	\$ 255,153,418	\$ 256,315,104	\$ -
Church camp	-	-	-	323,984	323,984	-
Unsecured	-	-	-	153,239	153,239	-
Other	-	-	-	375,106	375,106	-
	<u>\$ 1,161,686</u>	<u>\$ -</u>	<u>\$ 1,161,686</u>	<u>\$ 256,005,747</u>	<u>\$ 257,167,433</u>	<u>\$ -</u>
2024:						
Ministry building	\$ -	\$ -	\$ -	\$ 233,917,751	\$ 233,917,751	\$ -
Church camp	-	-	-	5,156,025	5,156,025	-
Unsecured	-	-	-	214,411	214,411	-
Other	-	-	-	357,914	357,914	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,646,101</u>	<u>\$ 239,646,101</u>	<u>\$ -</u>

### NOTE C – POOLED INVESTMENTS

Investments of the various funds under management of WatersEdge are primarily held in pooled investments. Pooled investments consist of developed market equities, emerging market equities, fixed income, and alternative investments.

Trust and custodial accounts participate in the respective pools based upon investment models. These models represent ownership percentages designed for various types of trusts and accounts based on the respective needs for current income or capital appreciation.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE C – POOLED INVESTMENTS – CONTINUED

Entry or withdrawal from the pools is based upon the market value of a pool unit. Market value of a pool unit is determined by dividing the total assets by total units outstanding.

The following is a summary of assets held in pooled investments at market value at December 31:

	2025		2024	
	Carried at Fair Value	Carried at Amortized Cost	Total	Total
Developed market equities				
Cash and money market accounts	\$ 911,532	\$ -	\$ 911,532	\$ 1,029,754
Marketable equity securities	134,145,204	-	134,145,204	116,989,453
	<u>135,056,736</u>	<u>-</u>	<u>135,056,736</u>	<u>118,019,207</u>
Emerging market equities				
Cash and money market accounts	38	-	38	48,376
Marketable equity securities	505,346	-	505,346	31,681,238
	<u>505,384</u>	<u>-</u>	<u>505,384</u>	<u>31,729,614</u>
Fixed income				
Cash and money market accounts	19,241,316	-	19,241,316	1,231,484
Foreign debt securities	2,976,933	-	2,976,933	3,441,151
Corporate debt securities	21,574,776	-	21,574,776	23,720,148
U.S. Government securities	9,706,325	-	9,706,325	10,790,677
Debentures	-	-	-	53,143
Accrued interest income	334,100	-	334,100	347,869
Real estate loans, net	-	13,059,729	13,059,729	12,933,980
	<u>53,833,450</u>	<u>13,059,729</u>	<u>66,893,179</u>	<u>52,518,452</u>
Alternative investments				
Cash and money market accounts	-	-	-	1,698,672
Futures contracts (mark-to-market)	20,669	-	20,669	(1,556,927)
U.S. Government securities (collateral on futures contracts)	11,309,734	-	11,309,734	10,382,050
Developed market equity	6,369,001	-	6,369,001	5,078,514
Emerging market equity	41,619,861	-	41,619,861	-
Distressed equity	18,150,340	-	18,150,340	19,800,774
Venture capital	35,629,061	-	35,629,061	33,144,295
Private equity	63,043,186	-	63,043,186	60,070,436
Real estate	40,547,830	-	40,547,830	37,556,837
Real assets	11,295,293	-	11,295,293	11,027,520
Absolute return hedge fund	191,493	-	191,493	235,048
Direct lending	52,200,463	-	52,200,463	45,545,843
	<u>280,376,931</u>	<u>-</u>	<u>280,376,931</u>	<u>222,983,062</u>
Total pooled investments	<u>\$ 469,772,501</u>	<u>\$ 13,059,729</u>	<u>\$ 482,832,230</u>	<u>\$ 425,250,335</u>

#### *Alternative Investments*

WatersEdge uses the NAV to determine the fair value for all alternative investments that do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE C – POOLED INVESTMENTS – CONTINUED

The following table lists investments in other investment companies (through limited partnerships) by major category at December 31:

Investment Category	Fair Value (Determined Using NAV)		Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Period
	2025	2024	2025		
Developed market equity (a)	\$ 6,369,001	\$ 5,078,514	\$ -	Monthly	25 days
Emerging market equity (b)	41,619,861	-	-	Monthly	30 days
Distressed equity (c)	18,150,340	19,800,774	4,574,278	N/A	N/A
Venture capital (d)	34,789,954	31,868,984	6,738,533	N/A	N/A
Private equity (e)	61,315,212	58,699,004	24,397,063	N/A	N/A
Real estate (f)	20,376,640	15,162,798	6,556,739	N/A	N/A
Real assets (g)	11,295,293	11,027,520	3,933,683	N/A	N/A
Absolute return hedge fund (h)	191,493	235,048	-	N/A	N/A
Direct lending (i)	52,200,463	45,545,843	38,698,567	N/A	N/A
	<u>\$ 246,308,257</u>	<u>\$ 187,418,485</u>	<u>\$ 84,898,863</u>		

- (a) This category includes one limited partnership investment in socially screened international small-cap public equities, with global exposure excluding the U.S., primarily in developed market small-cap value stocks and secondarily in emerging markets. Investors may redeem monthly with 25 days' notice.
- (b) This category includes one limited partnership investment in socially screened emerging market public equities, aiming to outperform the MSCI Emerging Markets Index through country and regional sub-advisers. It primarily invests in common stocks of companies located in MSCI-defined emerging markets. Investors may redeem monthly with 30 days' notice.
- (c) This category includes illiquid private limited partnership investments in special situations and distressed equity, targeting companies undergoing significant corporate or financial events, including restructurings, recapitalizations, spin-offs, mergers, acquisitions, or other transitional circumstances. These investments are held for long-term appreciation and subject to elevated business, financial, and execution risks, with no investor redemptions permitted.
- (d) This category includes venture capital investments in private limited partnerships that invest in equity and equity-linked securities of early- and growth-stage companies. These illiquid investments are typically held for long-term capital appreciation and carry risk, including potential loss of capital and valuation uncertainty due to limited operating histories. Redemption by the investor is not permitted.
- (e) This category includes illiquid private equity limited partnership investments in equity and equity-linked securities of established or mature companies, often via leveraged buyouts or control transactions, held for long-term capital appreciation and subject to risks such as capital loss and valuation uncertainty. Redemption by the investor is not permitted.
- (f) This category includes illiquid private real estate limited partnership investments in income-producing commercial and residential properties and related operating companies and development projects, held for income and long-term appreciation, subject to risks such as capital loss and valuation uncertainty with the underlying real estate asset subject to market, credit, interest rate, and operational risks. Redemption by the investor is not permitted.
- (g) This category includes illiquid private partnership real asset investments in energy-related assets, held for income and long-term appreciation, subject to risks such as capital loss, valuation uncertainty, commodity price volatility, regulatory and operational factors, with no investor redemptions permitted.
- (h) This category includes two multi-manager, multi-strategy hedge funds that are winding down with remaining capital to be distributed, and illiquid direct lending private partnership investments in middle-market companies, subject to credit risk and typically structured as senior or subordinated debt with standard lending terms.
- (i) This category includes illiquid private partnership investments in privately originated loans to middle-market portfolio companies, typically structured as senior secured or subordinated debt, subject to credit risk, typically bearing interest at fixed or floating rates and may include collateral, covenants, and prepayment terms.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE C – POOLED INVESTMENTS – CONTINUED

#### *Futures Contracts*

Included in the alternative investments are exchange traded equity index futures contracts. These contracts are a type of derivative instrument and are traded on the Chicago Mercantile Exchange (Exchange). Because the instruments are purchased on the Exchange, there is minimal credit risk associated with these contracts. Exchange-traded futures contracts can be terminated at any point through maturity, and are redeemable in cash, for the current settlement price with no early termination restrictions or penalties.

Buying futures contracts increases the exposure to the underlying instrument. The notional cost represents the value of the market exposure at the time of purchase. The notional fair value is the current value of the exposure. The open contracts at December 31 were as follows:

	<u>Open Contracts</u>	<u>Maturity Date</u>	<u>Notional Cost</u>	<u>Notional Fair Value</u>	<u>Futures Contracts (Mark- to-Market)</u>
2025: S&P 500 E-mini futures contracts	114	3/15/2026	\$ 39,266,581	\$ 39,287,250	\$ 20,669
2024: S&P 500 E-mini futures contracts	139	3/15/2025	\$ 42,810,390	\$ 41,253,463	\$ (1,556,927)

Futures contracts are marked-to-market daily by the receipt or transfer of cash to the margin account based on settlement prices established by the Exchange, and an appropriate unrealized gain or loss for the change in value is recorded. WatersEdge had unrealized mark-to-market (losses) gains of \$20,669 and (\$1,556,927) on open futures contracts at December 31, 2025 and 2024, respectively. Gains and losses are realized when the contracts expire or are otherwise terminated.

Changes in the fair value of derivative instruments attributable to WatersEdge are included in the statements of activities as investment return without donor restrictions. Changes in the fair value of derivative instruments attributable to others are included as investment return on liabilities to beneficial owners.

No assets or liabilities are recorded at the time of purchase. However, upon entering futures contracts, WatersEdge was required to deposit margin with its broker. The broker required margin of \$2,811,577 and \$2,332,452 at December 31, 2025 and 2024, respectively. WatersEdge had margin of \$11,329,967 and \$10,523,795 deposited at December 31, 2025 and 2024, respectively, which is included in the statements of financial position as pooled investments.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE D – OTHER INVESTMENTS

The following summarizes other investments at December 31:

	2025	2024
At market		
Corporate stocks, mutual funds, and fixed income instruments	\$ 22,381,015	\$ 4,527,699
Mineral interests	30,701,176	34,566,052
Alternative investments ( <i>carried at NAV</i> )	3,737,198	4,511,279
	56,819,389	43,605,030
At contributed value or cost		
Notes receivable held in trust accounts	108,248	132,893
Real estate	12,683,859	448,541
Life insurance, annuity contracts, and other	105,461	204,851
	12,897,568	786,285
	\$ 69,716,957	\$ 44,391,315

Real Estate includes one LLC, which was gifted to WatersEdge in 2025, as discussed in Note A.

Alternative investments carried at NAV are primarily an investment in a single fund. WatersEdge owned \$130,153 and \$157,112 of the fund at December 31, 2025 and 2024, respectively. Accounts managed by WatersEdge for clients owned \$3,606,995 and \$4,354,117 of the fund at December 31, 2025 and 2024, respectively. WatersEdge uses the NAV to determine the fair value for this limited partnership as it does not have a readily determinable fair value but does prepare their financial statements consistent with the measurement principles of an investment company. There were no unfunded commitments at December 31, 2025 and 2024. The general partner allows redemptions from the fund quarterly with 60 days' written notice if cumulative requests from all limited partners does not exceed 1.25%. The alternative investments carried at NAV also include a single investment managed by WatersEdge for a client in the amount of \$50 at December 31, 2025 and 2024.

In addition to ministry loans receivable, WatersEdge also has several notes receivable held in trust accounts. WatersEdge does not carry an allowance for loan losses for these notes receivable. WatersEdge also does not record accrued interest on these loans, instead recognizing interest income when collected.

The various notes receivable are all current. Since none of these loans are past due, all are considered performing. Likewise, none are considered impaired and all are classified as "Pass."

### NOTE E – 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.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE E – FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES – CONTINUED

In determining fair value, WatersEdge 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 WatersEdge. Unobservable inputs reflect the assumption of WatersEdge 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.

Accordingly, the degree of judgment exercised by WatersEdge in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, 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.

#### *Fair Value Measurements – Recurring Measurements*

The following tables present the recurring fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at December 31.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE E – FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES – CONTINUED

#### Fair Value Measurements – Recurring Measurements – Continued

	2025				
	Fair Value	Net Asset Value	Fair Value Measurement Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Pooled Investments</b>					
Developed market equities					
Cash and money market accounts	\$ 911,532	\$ -	\$ 911,532	\$ -	\$ -
Marketable equity securities	134,145,204	-	134,145,204	-	-
Total developed market equities	<u>135,056,736</u>	<u>-</u>	<u>135,056,736</u>	<u>-</u>	<u>-</u>
Emerging market equities					
Cash and money market accounts	38	-	38	-	-
Marketable equity securities	505,346	-	505,346	-	-
Total emerging market equities	<u>505,384</u>	<u>-</u>	<u>505,384</u>	<u>-</u>	<u>-</u>
Fixed income					
Cash and money market accounts	19,241,316	-	19,241,316	-	-
Foreign debt securities	2,976,933	-	-	2,976,933	-
Corporate debt securities	21,574,776	-	-	21,574,776	-
U.S. Government securities	9,706,325	-	9,706,325	-	-
Accrued interest income	334,100	-	334,100	-	-
Total fixed income	<u>53,833,450</u>	<u>-</u>	<u>29,281,741</u>	<u>24,551,709</u>	<u>-</u>
Alternative investments					
Futures contracts (mark-to-market)	20,669	-	20,669	-	-
U.S. Government securities	11,309,734	-	11,309,734	-	-
Alternative investments	22,738,271	-	-	-	22,738,271
Alternative investments (carried at NAV)	246,308,257	246,308,257	-	-	-
Total alternative investments	<u>280,376,931</u>	<u>246,308,257</u>	<u>11,330,403</u>	<u>-</u>	<u>22,738,271</u>
<b>Total pooled investments</b>	<u>469,772,501</u>	<u>246,308,257</u>	<u>176,174,264</u>	<u>24,551,709</u>	<u>22,738,271</u>
<b>Other investments</b>					
Corporate stocks, mutual funds, and fixed income instruments	22,381,015	-	22,381,015	-	-
Mineral interests	30,701,176	-	-	-	30,701,176
Alternative investments (carried at NAV)	3,737,198	3,737,198	-	-	-
Total other investments	<u>56,819,389</u>	<u>3,737,198</u>	<u>22,381,015</u>	<u>-</u>	<u>30,701,176</u>
Beneficial interest in trust managed by others	918,390	-	-	-	918,390
<b>Total asset instruments at fair value</b>	<u>\$ 527,510,280</u>	<u>\$ 250,045,455</u>	<u>\$ 198,555,279</u>	<u>\$ 24,551,709</u>	<u>\$ 54,357,837</u>
<b>Liabilities to beneficial owners</b>					
Assets held for others	\$ 398,995,448	\$ -	\$ -	\$ -	\$ 398,995,448
Refundable advances	135,844,066	-	-	-	135,844,066
<b>Total liability instruments at fair value</b>	<u>\$ 534,839,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,839,514</u>

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Beginning Balance	Reclassification to/(from) Level 3	Additional Investments	Distributions	Investment Return	Ending Balance
<b>Asset instruments at fair value</b>						
Pooled investments						
Alternative investments	\$ 25,040,782	\$ -	\$ 489,047	\$ (2,752,994)	\$ (38,564)	\$ 22,738,271
Other investments						
Mineral interests	34,566,052	-	6	-	(3,864,882)	30,701,176
Beneficial interest in trust managed by others	841,923	-	-	(23,700)	100,167	918,390
	<u>\$ 60,448,757</u>	<u>\$ -</u>	<u>\$ 489,053</u>	<u>\$ (2,776,694)</u>	<u>\$ (3,803,279)</u>	<u>\$ 54,357,837</u>
<b>Liability instruments at fair value</b>						
Assets held for others	\$ 372,009,334	\$ -	\$ 8,494,775	\$ (24,296,681)	\$ 42,788,020	\$ 398,995,448
Refundable advances	138,861,136	-	40,637,411	(55,374,162)	11,719,681	135,844,066
	<u>\$ 510,870,470</u>	<u>\$ -</u>	<u>\$ 49,132,186</u>	<u>\$ (79,670,843)</u>	<u>\$ 54,507,701</u>	<u>\$ 534,839,514</u>

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE E – FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES – CONTINUED

#### Fair Value Measurements – Recurring Measurements – Continued

	2024				
	Fair Value	Net Asset Value	Fair Value Measurement Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Pooled Investments</b>					
Developed market equities					
Cash and money market accounts	\$ 1,029,754	\$ -	\$ 1,029,754	\$ -	\$ -
Marketable equity securities	116,989,453	-	116,989,453	-	-
<b>Total developed market equities</b>	<u>118,019,207</u>	<u>-</u>	<u>118,019,207</u>	<u>-</u>	<u>-</u>
Emerging market equities					
Cash and money market accounts	48,376	-	48,376	-	-
Marketable equity securities	31,681,238	-	31,681,238	-	-
<b>Total emerging market equities</b>	<u>31,729,614</u>	<u>-</u>	<u>31,729,614</u>	<u>-</u>	<u>-</u>
<b>Fixed income</b>					
Cash and money market accounts	1,231,484	-	1,231,484	-	-
Foreign debt securities	3,441,151	-	-	3,441,151	-
Corporate debt securities	23,720,148	-	-	23,720,148	-
Debentures	53,143	-	-	53,143	-
U.S. Government securities	10,790,677	-	10,790,677	-	-
Accrued interest income	347,869	-	347,869	-	-
<b>Total fixed income</b>	<u>39,584,472</u>	<u>-</u>	<u>12,370,030</u>	<u>27,214,442</u>	<u>-</u>
<b>Alternative investments</b>					
Cash and money market accounts	1,698,672	-	1,698,672	-	-
Futures contracts (mark-to-market)	(1,556,927)	-	(1,556,927)	-	-
U.S. Government securities	10,382,050	-	10,382,050	-	-
Alternative investments	25,040,782	-	-	-	25,040,782
Alternative investments (carried at NAV)	187,418,485	187,418,485	-	-	-
<b>Total alternative investments</b>	<u>222,983,062</u>	<u>187,418,485</u>	<u>10,523,795</u>	<u>-</u>	<u>25,040,782</u>
<b>Total pooled investments</b>	<u>412,316,355</u>	<u>187,418,485</u>	<u>172,642,646</u>	<u>27,214,442</u>	<u>25,040,782</u>
<b>Other investments</b>					
Corporate stocks, mutual funds, and fixed income instruments	4,527,699	-	4,527,699	-	-
Mineral interests	34,566,052	-	-	-	34,566,052
Alternative investments (carried at NAV)	4,511,279	4,511,279	-	-	-
<b>Total other investments</b>	<u>43,605,030</u>	<u>4,511,279</u>	<u>4,527,699</u>	<u>-</u>	<u>34,566,052</u>
<b>Beneficial interest in trust managed by others</b>	841,923	-	-	-	841,923
<b>Total asset instruments at fair value</b>	<u>\$ 456,763,308</u>	<u>\$ 191,929,764</u>	<u>\$ 177,170,345</u>	<u>\$ 27,214,442</u>	<u>\$ 60,448,757</u>
<b>Liabilities to beneficial owners</b>					
Assets held for others	\$ 372,009,334	\$ -	\$ -	\$ -	\$ 372,009,334
Refundable advances	138,861,136	-	-	-	138,861,136
<b>Total liability instruments at fair value</b>	<u>\$ 510,870,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510,870,470</u>

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Beginning Balance	Reclassification to/(from) Level 3	Additional Investments	Distributions	Investment Return	Ending Balance
<b>Asset instruments at fair value</b>						
Pooled investments						
Alternative investments	\$ 24,641,570	\$ -	\$ 1,698,413	\$ (2,059,718)	\$ 760,517	\$ 25,040,782
Other investments						
Mineral interests	33,200,925	-	3	-	1,365,124	34,566,052
Beneficial interest in trust managed by others	866,725	-	-	(32,068)	7,266	841,923
	<u>\$ 58,709,220</u>	<u>\$ -</u>	<u>\$ 1,698,416</u>	<u>\$ (2,091,786)</u>	<u>\$ 2,132,907</u>	<u>\$ 60,448,757</u>
<b>Liability instruments at fair value</b>						
Assets held for others	\$ 358,702,971	\$ -	\$ 6,807,062	\$ (23,808,111)	\$ 30,307,412	\$ 372,009,334
Refundable advances	132,907,613	-	54,927,626	(57,799,233)	8,825,130	138,861,136
	<u>\$ 491,610,584</u>	<u>\$ -</u>	<u>\$ 61,734,688</u>	<u>\$ (81,607,344)</u>	<u>\$ 39,132,542</u>	<u>\$ 510,870,470</u>

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE E – FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES – CONTINUED

#### *Fair Value Measurements – Recurring Measurements – Continued*

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

A description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy, is set forth below. There have been no significant changes in the valuation techniques during the year ended December 31, 2025. For assets classified within Level 3 of the fair values hierarchy, the process used to develop the reported fair value is described below.

#### Pooled Investments

Developed Market and Emerging Market Equities – Securities classified as developed market or emerging market equities are reported at fair value using Level 1 inputs found on active markets.

Fixed Income – Fixed income securities are reported at fair value. U.S. Government securities are valued using Level 1 inputs. Other fixed income securities including foreign debt securities and corporate debt securities are valued using prices from an independent pricing service utilizing Level 2 inputs. The fair value measurements include observable data that may include dealer quotes, market spreads, cash flows, U.S. Treasury yield curve, live trading levels, trade execution data, credit information, and the bond's terms and conditions among other things.

Alternative Investments – Margin cash held for futures contracts are reported at fair value using Level 1 inputs found on active markets.

For most alternative investment funds, management determines the fair value based on net asset value per share as permitted by ASU 2009-12. In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position. Additional disclosure on alternative investments measured at fair value using the net asset value per share is provided in Note C.

For a few alternative investment funds, management determines the fair value based on examining financials statements and other reports provided by the fund manager. This valuation method is a Level 3 input.

Cash and Cash Equivalents – Cash held in each pooled investment classification is measured using Level 1 inputs. Money market accounts held in each pooled investment classification is measured using Level 1 inputs.

Other Investments – At Market – Other investments consist of corporate stocks, mutual funds, and fixed income instruments valued using Level 1 inputs by an independent pricing service, and mineral interests. Observable inputs are not available for mineral interests. For mineral interests, management determines the fair value based on an income approach using recent past income produced by the income property. This valuation method is a Level 3 input.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE E – FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES – CONTINUED

For alternative investments, management determines the fair value based on an independent appraisal. This valuation method is a Level 3 input. For alternative investments carried at NAV, management determines the fair value based on net asset value per share as permitted by ASU 2009-12. In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position. Additional disclosure on alternative investments measured at fair value using the net asset value per share is provided in Note D.

Beneficial Interest in Trust Managed by Others – These assets represent a portion of an irrevocable trust held and administered by a trustee for the benefit of WatersEdge. The assets primarily consist of cash and cash equivalents, fixed income securities and mutual funds. Management determines the fair value estimates based on account statements provided by the trustee. This valuation method uses Level 3 inputs.

Assets Held for Others and Refundable Advances – These liabilities represent the beneficiary's interest in the assets held by WatersEdge. The liabilities are measured using Level 3 inputs that are equal to the fair value of the related assets held by WatersEdge.

#### *Fair Value Measurements – Nonrecurring Measurements*

The estimated fair value of collateral-dependent loans is based on the appraised or estimated fair value of the collateral, less estimated cost to sell. Collateral-dependent loans are classified within Level 3 of the fair value hierarchy, but only in the year of measurement. No collateral-dependent loans were measured in 2025 or 2024.

WatersEdge 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.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE F – INVESTMENT RETURN

The following is a summary of the investment return by investment category at December 31:

	2025		
	Investment Return on Net Assets Without Donor Restrictions	Investment Return on Net Assets With Donor Restrictions	Investment Return on Liabilities to Beneficial Owners
Interest, dividends and other investment earnings	\$ 1,834,872	\$ 529,392	\$ 11,578,248
Net realized and unrealized gains (losses) on investments	1,808,173	2,079,086	42,929,453
	<u>\$ 3,643,045</u>	<u>\$ 2,608,478</u>	<u>\$ 54,507,701</u>
	2024		
	Investment Return on Net Assets Without Donor Restrictions	Investment Return on Net Assets With Donor Restrictions	Investment Return on Liabilities to Beneficial Owners
Interest, dividends and other investment earnings	\$ 1,287,665	\$ 778,466	\$ 14,125,316
Net realized and unrealized gains (losses) on investments	614,340	(377,353)	25,007,226
	<u>\$ 1,902,005</u>	<u>\$ 401,113</u>	<u>\$ 39,132,542</u>

### NOTE G – DERIVATIVE ASSET

In 2024, WatersEdge entered interest rate futures contracts to mitigate the risk of rising interest rates.

A mismatch exists between the duration of the notes portfolio (shorter term) and the related ministry loan portfolio (longer term). When interest rates increase, the cost of the notes portfolio rises more quickly than income from the loan portfolio.

The futures contracts served to offset this timing mismatch. Over a full interest rate cycle, WatersEdge expected reduced earnings volatility when combining net interest income with the results of derivative activity.

WatersEdge held open positions in exchange-traded SOFR index futures contracts. These contracts are a type of derivative instrument and are traded on the Chicago Mercantile Exchange (Exchange). Because the instruments were purchased on the Exchange, there was minimal credit risk associated with these contracts. Exchange-traded futures contracts can be terminated at any point through maturity, redeemable in cash, for the current settlement price, with no early termination restrictions or penalties. All positions were redeemed in 2025.

Buying futures contracts increases the exposure to the underlying instrument. The notional cost represents the value of the market exposure at the time of purchase. The notional fair value is the current value of the exposure. The open contracts at December 31, 2024 were as follows:

	Open Contracts	Maturity Date	Notional Exposure	Derivative Asset
		December 2024 to June 2029		
CME 3-month SOFR contracts	225		\$ 53,984,119	\$ 390,144

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE G – DERIVATIVE ASSET – CONTINUED

Futures contracts are marked-to-market daily and an unrealized gain or loss is recorded. WatersEdge had unrealized gains of \$390,144 on open futures contracts at December 31, 2024 recorded in the statements of financial position as a derivative asset.

Gains and losses are realized when the contracts expire or are otherwise terminated, at which time cash is settled to the margin account. The gain or loss attributable to WatersEdge is included in the statements of activities as other support without donor restrictions.

No assets or liabilities are recorded at the time of purchase. However, upon entering into futures contracts, WatersEdge was required to deposit margin with its broker. The broker required margin of \$166,496 at December 31, 2024. WatersEdge had margin of \$1,015,679 deposited at December 31, 2024.

### NOTE H – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2025	2024
Office furniture	\$ 527,347	\$ 407,958
Office equipment	110,737	74,438
Computer equipment	61,314	61,314
Computer software	363,682	363,682
Automobiles	469,156	486,852
Land	5,250,000	5,250,000
Buildings	15,234,983	14,795,684
Leasehold improvements	127,528	-
	<u>22,144,747</u>	<u>21,439,928</u>
Accumulated depreciation	<u>(690,542)</u>	<u>(455,871)</u>
	<u>\$ 21,454,205</u>	<u>\$ 20,984,057</u>

Depreciation expense was \$638,398 and \$121,785 at December 31, 2025 and 2024, respectively.

### NOTE I – POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

WatersEdge maintains a plan to provide health, life, and termination benefits to eligible retirees. Estimated costs are recognized over the employee's active service period. The plan, as originally adopted, provided health and life insurance premium coverage upon retirement. In 2005, the plan was amended to eliminate all benefits except for health insurance premiums for grandfathered retirees. The plan is unfunded.

WatersEdge accounts for its postretirement benefit obligations under ASC 715 and ASC 958, which require the funded status of its defined benefit pension and other postretirement plans be fully recognized in the statements of financial position and requires that plan assets and obligations be measured at the statements of financial position dates.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE I – POSTRETIREMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

The following relates to the postretirement plan of WatersEdge, which has measurement dates of December 31:

	2025	2024
Accumulated postretirement benefit obligations		
For retirees	\$ 23,588	\$ 81,965
For active employees not fully eligible	369,766	294,442
	\$ 393,354	\$ 376,407

The change in accrued postretirement benefit cost at December 31 is as follows:

	2025	2024
Accumulated postretirement benefit obligations at beginning of year	\$ 376,407	\$ 315,621
Net postretirement benefit cost	49,278	36,349
Benefits paid	(14,347)	(18,689)
Other postretirement related changes	(17,984)	43,126
Accumulated postretirement benefit obligations at end of year	\$ 393,354	\$ 376,407

The activity from other postretirement-related changes have been recognized in the 2025 and 2024 statements of activities apart from expenses. There is no prior service cost for the plan that will be amortized from changes in unrestricted net assets into net periodic benefit cost over the next fiscal year.

The following assumptions were used in accounting for the plan at December 31:

	2025	2024
Weighted-average assumption used to determine benefit obligations at December 31,		
Discount rate	5.13%	5.37%
Life expectancy of active participants	14.4 years	14.6 years
Assumed healthcare cost trend rates at December 31,		
Healthcare cost trend rate assumed for next year <i>(medical/Rx)</i>	7.70%/7.30%	5.00%/6.60%
Rate to which the cost trend rate is assumed to decline, the ultimate trend rate <i>(medical/Rx)</i>	4.39%/4.89%	4.37%/4.87%
Year that the rate reaches the ultimate trend rate	2033	2032
Allocation <i>(medical/Rx)</i>	59%/41%	59%/41%

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2026	\$	6,057
2027		172,497
2028		60,443
2029		29,104
2030		25,029
2031–2035		65,291

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE J – DEBT OBLIGATIONS

WatersEdge maintains a line of credit in the amount of \$15,000,000, with an additional \$5,000,000 accordion feature. The debt bears interest at a variable rate, which was 5.1% at December 31, 2025, and has a maturity of September 23, 2026. There is no outstanding balance at December 31, 2025 and 2024. Regular payments of accrued interest are due monthly, with all outstanding principal plus all nonpaid accrued interest due upon maturity. WatersEdge has pledged an investment account that is held in custody at Bank of Oklahoma as collateral on this note with a fair value of approximately \$113,077,000 and \$97,992,000 at December 31, 2025 and 2024, respectively.

WatersEdge maintains a line of credit in the amount of \$2,500,000 with an accordion feature allowing WatersEdge flexibility to request the amount of proceeds available to be increased to \$10,000,000. This line of credit is secured by selected ministry loan promissory notes. The debt bears interest at a variable rate, 5.7% at December 31, 2025, and has a maturity of August 15, 2026. WatersEdge has made no draws on the line of credit, and there is no outstanding balance at December 31, 2025.

In 2024, WatersEdge purchased five automobiles through manufacturer issued financing. Each agreement bears interest at a fixed rate, with maturities extending into 2027. Collectively, WatersEdge borrowed \$169,632 in 2024. The outstanding balance was \$86,578 and \$142,535 at December 31, 2025 and 2024, respectively.

### NOTE K – NOTES PAYABLE

Through the amended Circular WatersEdge offered notes payable in the aggregate principal amount of \$475,000,000. 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 one month to five years. Interest is paid quarterly or at maturity, depending upon contractual terms.

A summary of notes payable is as follows:

	2025	2024
Demand notes	\$ 24,931,274	\$ 20,931,314
Term notes	167,489,043	132,545,054
	<u>\$ 192,420,317</u>	<u>\$ 153,476,368</u>

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE K – NOTES PAYABLE – CONTINUED

Scheduled maturities of term notes payable at December 31, 2025:

2026	\$	155,755,117
2027		7,424,941
2028		1,595,110
2029		769,542
2030		1,944,333
		\$ 167,489,043

Per NASAA Statement of Policy, the CEF must maintain available funds (comprised of 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 following presents total liquid assets as a percentage of outstanding notes payable for the years ended December 31:

	2025	2024
Cash and cash equivalents	\$ 4,863,646	\$ 11,768,204
Certificates of deposit	1,321,162	1,266,416
Readily marketable securities	17,641,216	1,119,158
Immediately available funds from line of credit (limited to 2% of outstanding notes payable)	3,848,406	3,069,527
Accounts payable to affiliate	(176,210)	(148,836)
Total available funds for regulatory compliance	\$ 27,498,220	\$ 17,074,469
Outstanding notes payable	\$ 192,420,317	\$ 153,476,368
Total available funds as a percentage of outstanding notes payable	14.3%	11.1%

### NOTE L – LIABILITY TO BENEFICIAL OWNERS

WatersEdge was formed to administer funds and receive property on behalf of its principal affiliates, Baptist churches and associations, and various other Baptist organizations. In its capacity as trustee, administrator, custodian, or agent, WatersEdge holds assets for these organizations. In addition, WatersEdge acts as trustee under revocable and irrevocable agreements in which donors have retained interest in income, principal, or both.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE L – LIABILITY TO BENEFICIAL OWNERS – CONTINUED

The following summarizes categories of arrangements under which WatersEdge has liabilities to these beneficial owners:

	2025	2024
Liabilities to income beneficiaries under split-interest agreements		
Gift annuity contracts	\$ 2,784,068	\$ 2,719,673
Irrevocable trust agreements	2,841,745	2,717,952
	\$ 5,625,813	\$ 5,437,625
Assets held for others		
Assets held as trustee under permanent endowments	\$ 277,371,496	\$ 258,766,738
Assets held under agreements with affiliated entities to administer endowments or other trust funds	115,871,675	107,734,860
Remainder interests under gift annuity contracts and irrevocable trust agreements	5,752,277	5,507,736
	\$ 398,995,448	\$ 372,009,334
Refundable Advances		
Assets held under custodial arrangements with affiliated entities	\$ 131,928,235	\$ 135,161,296
Conditional transfers from donors	3,915,831	3,699,840
	\$ 135,844,066	\$ 138,861,136

#### Liabilities to Income Beneficiaries under Split-Interest Agreements

Obligations to make future payments to income beneficiaries of split-interest agreements are discounted at 5%, which equals the estimated long-term return on investments. Those payments that are for life are estimated using IRS unisex tables.

Gift Annuity Contracts – These agreements have been entered between WatersEdge and a donor under which WatersEdge has agreed to pay a specified amount, at least annually, to a noncharitable income beneficiary. Typically, income payments are for life. The liability to income beneficiaries represents a general liability of WatersEdge. This liability is equal to the present value of estimated future payments.

Irrevocable Trust Agreements – The balances represent the present value of estimated future payments to noncharitable beneficiaries under irrevocable trusts. This includes amounts estimated to be payable to beneficiaries of charitable remainder annuity trusts, charitable remainder unitrusts and other trusts whose remainder beneficiaries may be partially noncharitable.

#### Assets Held for Others

Assets Held as Trustee under Permanent Endowments – WatersEdge acts as trustee for numerous permanent charitable endowment trusts. These trusts generally benefit the Convention and its affiliates or other Southern Baptist-affiliated institutions. Earnings from these funds are disbursed based upon the spending policy of WatersEdge. While WatersEdge will administer these assets in perpetuity, the rights to enjoyment of benefits are vested in the income beneficiaries.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE L – LIABILITY TO BENEFICIAL OWNERS – CONTINUED

Assets Held under Agreements with Affiliated Entities to Administer Endowments or Other Trust Funds – WatersEdge holds, invests, and administers assets under trust agreements that name the Convention or its affiliates as trustee. These trusts are administered in a manner identical to those trusts in which WatersEdge is named trustee.

Remainder Interests under Gift Annuity Contracts and Irrevocable Trust Agreements – These balances represent the remainder interest in assets subject to payments to income beneficiaries as discussed above. Where agreements ultimately benefit WatersEdge, remainder interests are included under net assets with donor restrictions.

#### Refundable Advances

Assets Held under Custodial Arrangements with Affiliated Entities – WatersEdge holds and invests assets for the Convention and its affiliates in a custodial capacity. The balances represent the WatersEdge liability to return balances to these affiliates. These funds are generally invested in the investment pools in ratios selected by the owner.

Conditional Transfers from Donors – WatersEdge receives assets as trustee under agreements that are revocable or provide that trust corpus may be invaded for the benefit of the grantor or a noncharitable beneficiary. Because these assets may be withdrawn by revocation or through consumption by noncharitable beneficiaries, they are considered to be conditional transfers.

To the extent WatersEdge is an ultimate beneficiary under these agreements, a contribution will be recognized when all conditions are met, which is typically when the trust becomes irrevocable and the rights of noncharitable beneficiaries to corpus lapse.

### NOTE M – BOARD DESIGNATIONS FOR NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of WatersEdge, through specific action, created self-imposed designations on unrestricted net assets to protect against certain risks and provide funds for opportunities and expansion. The Board has earmarked net assets without donor restrictions for the following purposes at December 31, 2025 and 2024 as follows:

	2025	2024
Funds functioning as endowment	\$ 638,005	\$ 604,650
Annuity reserve	345,132	329,724
Opportunity reserve	44,272	1,025,247
Operating reserve	4,276,878	4,063,025
Endowment matching funds	3,120	2,986
	<u>\$ 5,307,407</u>	<u>\$ 6,025,632</u>

The Board has designated funds to function as endowment to provide, on an ongoing basis, a supplemental revenue source to fund operating expenses. These funds are subjected to investment and spending policies for endowments as more fully described in Note A and N. Annually funds are appropriated from this designated account to meet cash needs for general expenditure within one year.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE M – BOARD DESIGNATIONS FOR NET ASSETS WITHOUT DONOR RESTRICTIONS – CONTINUED

WatersEdge does not pool investments for gift annuities because each gift annuity contract has a different remainder beneficiary. Instead, assets for each gift annuity contract are invested and accounted for in separately managed accounts. Upon termination of each contract, WatersEdge allocates all residual funds to the remainder beneficiary as prescribed in the contract. In the event assets in one of these separately managed accounts depletes during the lifespan of the gift annuity contract, WatersEdge continues paying the obligation from its unrestricted net assets. The Board has designated funds for the satisfaction of this potential obligation.

The opportunity reserve provides funds for potential investments that expand the ability of WatersEdge to provide services.

The operating reserve provides funds to ensure the financial stability of WatersEdge during times of economic stress. The Board has a desire to maintain financial assets in reserve to meet 180 days of normal operating expenses. While Board designated, these funds are intended to be made available for general expenditure, if necessary.

### NOTE N – ENDOWMENTS

The endowments of WatersEdge consist of individual funds established to provide financial support to the ministries served by 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. The endowment funds also include funds without donor restrictions that have been designated by the Board to function as an endowment.

Endowment net asset composition by type of fund is as follows:

	2025	2024
Board-designated endowment funds	\$ 638,005	\$ 604,650
Donor-restricted endowment funds:		
Beneficial interest in trusts managed by others	918,390	841,923
Subject to expenditure for a specified purpose:		
Student scholarships and other charitable causes	16,101,352	14,737,567
Subject to appropriation (original gift amount of \$5,752,232 and \$5,751,920 as of 2025 and 2024, respectively), which once appropriated, is available for general needs and expenses of WatersEdge	8,658,621	8,546,999

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE N – ENDOWMENTS – CONTINUED

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

	Without Donor Restrictions	Beneficial Interest in Trusts Managed by Others	With Donor Restrictions – for a Specified Purpose	With Donor Restrictions – Subject to Appropriation	Total With Donor Restrictions
2025					
Endowment assets at beginning of year	\$ 604,650	\$ 841,923	\$ 14,737,567	\$ 8,546,999	\$ 24,126,489
Contributions	-	-	-	312	312
Investment return	68,885	100,167	2,095,716	412,595	2,608,478
Other	(610)	-	2,562	2,195,678	2,198,240
Appropriations	(34,920)	(23,700)	(734,493)	(2,496,963)	(3,255,156)
Endowment assets at end of year	<u>\$ 638,005</u>	<u>\$ 918,390</u>	<u>\$ 16,101,352</u>	<u>\$ 8,658,621</u>	<u>\$ 25,678,363</u>
2024					
Endowment assets at beginning of year	\$ 605,137	\$ 866,725	\$ 15,378,019	\$ 8,730,108	\$ 24,974,852
Contributions	-	-	5,153	2,101	7,254
Investment return	34,496	7,266	106,292	287,555	401,113
Other	(437)	-	(29,018)	3,584,998	3,555,980
Appropriations	(34,546)	(32,068)	(722,879)	(4,057,763)	(4,812,710)
Endowment assets at end of year	<u>\$ 604,650</u>	<u>\$ 841,923</u>	<u>\$ 14,737,567</u>	<u>\$ 8,546,999</u>	<u>\$ 24,126,489</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 WatersEdge 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. WatersEdge had no underwater endowment funds at December 31, 2025 and 2024.

### NOTE O – LESSOR ARRANGEMENTS

WatersEdge provides office space to an unrelated tenant through a lease agreement which extends into 2026.

Additional leases to related parties were executed in 2024. Each lease had a commencement date of January 2025 and extends into 2027.

Revenue recognized on leases was \$1,199,799 and \$447,817 at December 31, 2025 and 2024, respectively.

All office tenant leases have been classified as operating leases and provide for fixed minimum rent payments. Each lease also provides for the reimbursement of certain operating costs. The approximate minimum lease payments to be received in the future under operating lease agreements are as follows:

2026 \$ 934,755  
2027 \$ 884,755

The above table excludes reimbursement of certain operating costs.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE P – EXPENSES BY BOTH FUNCTION AND NATURE

The cost of providing the various programs, activities, and general support of WatersEdge have been summarized on a functional basis. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocated expenses include salaries and benefits, which are allocated based on estimates of time and effort.

As WatersEdge does not actively solicit contributions for its own benefit, no amounts have been allocated to fundraising activities.

	2025		
	Total	Program services	Management and general
Notes payable interest expense	\$ 8,303,246	\$ 8,303,246	\$ -
Denominational note payable interest expense	3,030,660	3,030,660	-
Total interest expense	<u>11,333,906</u>	<u>11,333,906</u>	<u>-</u>
Salaries and benefits	8,036,146	6,108,079	1,928,067
Business	2,860,629	926,860	1,933,769
Professional services	1,042,101	646,317	395,784
Marketing and communications	510,116	354,481	155,635
Depreciation	638,398	-	638,398
Miscellaneous	133,450	105,994	27,456
Total operating expenses	<u>13,220,840</u>	<u>8,141,731</u>	<u>5,079,109</u>
Distributions to students, elderly, and charitable causes	<u>5,617,731</u>	<u>5,617,731</u>	<u>-</u>
Total interest expense, operating expenses, and distributions	<u>\$ 30,172,477</u>	<u>\$ 25,093,368</u>	<u>\$ 5,079,109</u>
	2024		
	Total	Program services	Management and general
Notes payable interest expense	\$ 6,327,757	\$ 6,327,757	\$ -
Denominational note payable interest expense	2,993,780	2,993,780	-
Total interest expense	<u>9,321,537</u>	<u>9,321,537</u>	<u>-</u>
Salaries and benefits	7,135,822	5,292,762	1,843,060
Business	2,352,172	828,788	1,523,384
Professional services	1,055,021	711,608	343,413
Marketing and communications	510,812	354,311	156,501
Depreciation	121,785	-	121,785
Miscellaneous	103,424	66,079	37,345
Total operating expenses	<u>11,279,036</u>	<u>7,253,548</u>	<u>4,025,488</u>
Distributions to students, elderly, and charitable causes	<u>6,868,058</u>	<u>6,868,058</u>	<u>-</u>
Total interest expense, operating expenses, and distributions	<u>\$ 27,468,631</u>	<u>\$ 23,443,143</u>	<u>\$ 4,025,488</u>

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE Q – LIQUIDITY AND AVAILABILITY OF RESOURCES

WatersEdge manages liquidity by structuring financial assets to be available as general expenditures, liabilities, and other obligations come due. A significant portion of annual expenditures are funded by operating revenues in the current year including fee income, loan interest income, endowment returns made available for operations, gifts for current use, and other support.

Financial assets are determined by subtracting prepaid assets, real estate, and property and equipment from total assets on the statements of position. Many financial assets are not available for general expenditure because those assets are either illiquid due to contractually imposed restrictions or held in accounts restricted by a donor or designated by the Board for a particular purpose.

Of the financial asset available for general expenditures:

- cash and cash equivalents are currently available
- operating receivables vary in availability but generally convert to cash within 30 days
- pooled investments have widely varying degrees of availability from those which can be liquidated within 3 days to those which are much harder to liquidate.
- appropriated endowment distributions are received at the end of each quarter

Beyond structuring financial assets to be available for general expenditure, WatersEdge ensures resources are available to meet a variety of other anticipated needs which include maturing notes payable, ministry loan advances, endowment distributions, and alternative investment capital calls.

Due to the diverse cash flow needs, WatersEdge divides liquidity management into three distinct segments to ensure resources are available for each purpose.

#### Assets Held in the Church Extension Fund

At December 31, 2025, WatersEdge owes \$155,755,117 in principal to holders of notes, which are scheduled to mature during 2026. See Note K for the scheduled maturities of all notes payable. Demand notes may be redeemed at any time, in whole or in part, at the option of the registered holder. Term notes may be redeemed at maturity at the option of the registered holder. Additionally, redemption requests prior to maturity are subject to the consent of WatersEdge, the availability of funds, and early redemption penalties. WatersEdge may require two business days' written notice for any redemption request.

In addition to funding note redemptions, WatersEdge must also fund outstanding loan commitments of approximately \$58,128,000 as of December 31, 2025. Most of these loan commitments are expected to require funding during 2026 and 2027. Historically, WatersEdge has been able to meet the loan funding requirements through a combination of existing cash on hand, cash generated from loan repayments, and the sale of notes payable.

WatersEdge could supplement resources to fund note redemptions or ministry loan advances by drawing up to \$10,000,000 on a line of credit as discussed in Note J. Through 2025, this line of credit remains unused.

Within the Church Extension Fund is an endowment and funds advised by donors each primarily invested in ministry loans. While these accounts are not typically available for general expenditures, neither is shown on the tables below as a reduction in financial assets because the primary asset held within these accounts, ministry loans, has already been deducted.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE Q – LIQUIDITY AND AVAILABILITY OF RESOURCES – CONTINUED

#### Assets Held for Beneficial Owners or for WatersEdge with Donor Restrictions

WatersEdge manages investments for itself (net assets with donor restrictions) and for other beneficial owners (as trustee, custodian, or agent). Investment of these assets follows policies approved by the Board. Asset allocations are approved by the Asset Management Committee of the Board. These asset allocations include significant amounts of liquidity to manage the needs of the portfolio, including but not limited to, investment managers calling uncommitted funds, annual endowment spending, and potential client redemption requests. The investment and spending policies are explained in further detail in Note A, while the investment allocation and redemption restrictions are shown in Note C.

To help manage unanticipated liquidity needs within the portfolio, WatersEdge has a \$20,000,000 line of credit secured that it could draw upon if needed as discussed in Note J. Through 2025, this line of credit remains unused.

Despite significant liquidity existing within the portfolio, none of these financial assets are available for general expenditures except for funds expected to be appropriated from net assets with donor restrictions of \$243,938 because these funds are all either held for other beneficial owners or under donor-imposed restrictions.

Typically, there are minimal client redemption requests from beneficial owners. To the extent that requests are received, they are funded by liquidity within the portfolio or through the sale of securities in the portfolio.

#### Assets Held for WatersEdge Without Donor Restrictions

Net assets without donor restrictions consist of financial assets in three classifications: undesignated, Board designated, and funds advised by donors.

WatersEdge manages investments for funds advised by donors following the same policies and asset allocations described above. Liquidity is managed within the asset allocation to fund the needs of the portfolio and to facilitate grant requests from the fund advisors. However, none of these financial assets are available for general expenditures as they remain subject to grant request advice from fund advisors.

Financial assets in board-designated funds, while not intended to be spent on purposes other than those identified, could be made available, if necessary.

Undesignated financial assets are generally available for general expenditure.



# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE Q – LIQUIDITY AND AVAILABILITY OF RESOURCES – CONTINUED

If used for general expenditures, financial assets of \$26,022,829 at December 31, 2025 can cover 23 months of general expenditures based on the 2026 operating expenditures budget of \$13,870,000.

Board-designated funds were \$5,307,407 at December 31, 2025 and can cover five months of general expenditures if made available. However, as a matter of practicality, it is possible the total of board-designated funds that could be made available would be reduced since the board-designated funds invest in internally managed common funds which each may contain investments with lock-up provisions.

### NOTE R – RELATED PARTIES

Most of the funds administered by WatersEdge are for the benefit of the Convention, its principal affiliates, Baptist churches and associations and various other Baptist organizations.

WatersEdge administers the following funds for the Convention and its affiliates in either a trustee or custodial capacity. Liabilities to affiliated entities were as follows at December 31, 2025 and 2024: the Convention, approximately \$65,468,000 and \$59,087,000, Oklahoma Baptist University, approximately \$203,500,000 and \$203,440,000, Oklahoma Baptist Homes for Children, Inc., approximately \$97,707,000 and \$97,220,000, and Baptist Village Communities of Oklahoma, Inc., approximately \$56,136,000 and \$50,193,000, respectively. For this purpose, affiliates are those organizations whose directors or trustees are elected by the participating churches of the Convention at its annual meeting.

As described in Notes A and O, WatersEdge, through WEBH as the lessor, has lease agreements with the Convention, Oklahoma Baptist Homes for Children, and Baptist Village Communities of Oklahoma that extend into 2027. Collectively, these tenants occupy approximately 50% of the building owned by WEBH.

As described in Note U, WatersEdge has agreements to extend credit to the Convention and Oklahoma Baptist University. Neither line of credit was used in 2025 or 2024.

WatersEdge Directors and Officers, their immediate family members, and businesses with which they are affiliated-owned notes in the aggregate totaling \$1,047,652 and \$859,260, which represents 0.5% and 0.6% of total notes, at December 31, 2025 and 2024, respectively. Additionally, Oklahoma Baptist University (OBU) owned notes payable, as offered through the Circular, of \$2,525,000 at December 31, 2024. OBU owned no notes payable at December 31, 2025. Each of these notes were issued on the same terms as were available other investors.

WatersEdge receives appropriations from the Cooperative Program of the Convention. The appropriations received in 2025 and 2024 were \$26,199 and \$28,936, respectively. As discussed in Note S, WatersEdge leased office facilities from the Convention, Oklahoma Baptist University, and Metro Baptist Network until November 2024.

In 2024, WatersEdge issued a \$13,300,000 real estate loan to a real estate fund in which WatersEdge is also an investor. There are no known potential weaknesses in credit quality and the capacity of the fund to repay is not questioned. The loan accrues interest at a floating rate of SOFR plus 2.6%, which was 6.4% at December 31, 2025. Interest-only payments are required monthly. All principal will become due upon maturity at June 28, 2029 if not already received.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE R – RELATED PARTIES – CONTINUED

Though not related parties, WatersEdge does make 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.

Though not related parties, WatersEdge does allow cooperating state foundations or other Baptist entities to purchase a portion loans originated through a participation agreement with WatersEdge.

Though not related parties, WatersEdge does allow cooperating state foundations or other Baptist entities to purchase notes payable as offered through the Circular.

### NOTE S – LEASEE ARRANGEMENTS

WatersEdge conducts operations primarily in Oklahoma. Until November 18, 2024, WatersEdge leased facilities in Oklahoma City and Shawnee. No facilities were leased in 2025.

In Oklahoma City, WatersEdge had two lease agreements for facilities:

- An agreement with the Convention for a short-term lease of one year ending in December 2024, which was terminated early according to the terms of the lease agreement.
- An agreement with Metro Baptist Network for a short-term lease of one year ending in May 2025, which was terminated early according to the terms of the lease agreement.

In Shawnee, WatersEdge had one lease agreement for a facility:

- An agreement with Oklahoma Baptist University for a term of three years which expired in September 2024. Oklahoma Baptist University agreed to extend the lease on a month-to-month basis through November 2024, at which time the lease was terminated.

Total short-term lease cost included in operating expenses for the year ended December 31, 2024 was \$208,378.

WatersEdge lease agreements did not contain any material residual value guarantees or material restrictive covenants.

### NOTE T – PENSION PLAN

All full-time employees and part-time employees of WatersEdge who regularly work at least 20 hours per week are eligible to participate in a 403(b) defined contribution pension plan administered by the Guidestone Financial Resources of the Southern Baptist Convention. 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%. The amount of the match an employee is eligible for is determined by the number of years of employment. Employee contributions are voluntary. Total pension expense was \$667,793 and \$574,522 at December 31, 2025 and 2024, respectively. WatersEdge policy is to fund pension cost as it is incurred.

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE U – COMMITMENTS, CONTINGENCIES, AND CREDIT RISK

WatersEdge had outstanding ministry loan receivable commitments totaling approximately \$58,128,000 and \$34,965,000 at December 31, 2025 and 2024, respectively.

WatersEdge had unfunded commitments to purchase units of alternative investments measured at NAV totaling approximately \$84,899,000 and \$107,890,000 and unfunded commitments to purchase units of alternative investments measured by methods other than NAV of approximately \$363,000 and \$538,000 at December 31, 2025 and 2024, respectively.

WatersEdge has extended a line of credit to the Convention in the amount of \$1,000,000. The line of credit was unused during 2025 and 2024. WatersEdge also extended a line of credit to Oklahoma Baptist University in the amount of \$7,000,000, which was executed in November 2024. The line of credit was unused during 2025 and 2024.

From time to time, WatersEdge 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 WatersEdge.

WatersEdge holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market, foreign currency exchange, 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 change could materially affect the amounts reported in the financial statements.

### NOTE V – 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 are reflected in Note B. Current vulnerabilities due to certain concentrations of credit risk are discussed in Note U.

#### *Loan Concentrations:*

At December 31, 2025, two borrowers had an aggregate concentration of 11.9% of total loans. At December 31, 2024, three borrowers had an aggregate concentration of 18.9% of total loans. At December 31, 2025 and 2024, borrowers were concentrated (greater than 10% of the total ministry loans) in the following states:

	Count	Amount	
2025:			
Oklahoma	115	\$ 66,413,808	26%
Colorado	26	50,694,460	20%
2024:			
Oklahoma	116	\$ 68,531,375	29%
Colorado	17	43,104,693	18%

# WatersEdge Ministry Services

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

### NOTE V – SIGNIFICANT ESTIMATES AND CONCENTRATIONS –CONTINUED

#### *Notes Payable Concentrations:*

WatersEdge had one investor with a concentration of 6.0% at December 31, 2025. WatersEdge had two investors with an aggregate concentration of 13.0% at December 31, 2024. At December 31, 2025 and 2024, investors were concentrated in the following states:

	Count	Amount	
2025:			
Oklahoma	1,115	\$ 104,821,243	54%
2024:			
Oklahoma	939	\$ 91,475,715	60%

### NOTE W – SUBSEQUENT EVENTS

WatersEdge has evaluated subsequent events through April 23, 2026 and determined no events that occurred that would require adjustments to disclosures in the consolidated financial statements except WatersEdge entered into an agreement on March 27, 2026 to purchase a loan portfolio. The purchase will include four tranches of loans.

Tranche 1 closed on March 31, 2026 and includes \$23,419,538 in loans. This purchase was funded with cash on hand. Some of the cash was obtained from liquidating a portion of the treasury bills, included in investments on the statement of financial position, and other cash was generated through a promotional note sales campaign. Additionally, after the purchase was completed, participations were sold totaling approximately \$7,500,000 of the loans in this tranche.

Tranche 2 will close on or about June 30, 2026 at an estimated purchase price of \$10,000,000. Tranches 3 and 4 will close on or about December 31, 2026 at an estimated purchase price of \$25,000,000. These tranches will be funded with a combination of cash generated from note sales, loan paydowns, participation agreements, and unfunded lines of credit, if necessary.

Included in the agreement is a provision for a repurchase agreement to be executed for any loan that is found to have a material defect, is delinquent for 90 consecutive days, or for which the borrower fails to pay off the loan on the maturity date.



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