

# WatersEdge Ministry Services

Financial Statements and Report of  
Independent Certified Public Accountants

**DECEMBER 31, 2021**



## Table of Contents

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	1
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION .....	3
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS.....	4
CONSOLIDATED STATEMENTS OF CASH FLOWS.....	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	6

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
WatersEdge Ministry Services

**Opinion**

We have audited the consolidated financial statements of The Baptist Foundation of Oklahoma, dba WatersEdge Ministry Services (an Oklahoma not-for-profit organization) and subsidiary (collectively, "WatersEdge"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of WatersEdge as of December 31, 2021, and the results of its operations 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WatersEdge and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 consolidated 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 for one year after the date the financial statements are issued.

**Auditor's responsibilities for the audit of the 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 US 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 US 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 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.

**Other Matters****Report on 2020 summarized comparative information**

We have previously audited WatersEdge's 2020 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2021. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Oklahoma City, Oklahoma  
April 22, 2022

# WatersEdge Ministry Services

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS	2021	2020
Cash and cash equivalents	\$ 24,880,125	\$ 30,748,090
Certificates of deposit	1,618,277	1,000,000
Prepaid expenses and other	411,424	178,312
Church building loans receivable, net	133,961,945	119,368,025
Accrued interest receivable	357,702	330,986
Investments		
Pooled investments	413,973,579	335,988,366
Other investments	57,401,090	42,421,338
Total investments	<u>471,374,669</u>	<u>378,409,704</u>
Property and equipment, net	555,430	514,191
	<u>\$ 633,159,572</u>	<u>\$ 530,549,308</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 579,304	\$ 354,092
Accrued postretirement benefits	464,561	447,227
Current debt obligations	2,508,810	500,431
Long-term debt obligations	-	2,108,810
Notes payable	83,097,144	70,766,164
Liabilities to beneficial owners		
Liability to income beneficiaries under split-interest agreements	5,949,133	6,200,483
Assets held for others	375,954,414	324,400,807
Refundable advances	131,496,384	98,727,540
Total liabilities to beneficial owners	<u>513,399,931</u>	<u>429,328,830</u>
Commitments and contingencies (NOTE S)		
Net assets		
Without donor restrictions - undesignated	6,185,948	4,482,200
Without donor restrictions - board designated	5,243,048	4,695,874
With donor restrictions	21,680,826	17,865,680
	<u>33,109,822</u>	<u>27,043,754</u>
	<u>\$ 633,159,572</u>	<u>\$ 530,549,308</u>

The accompanying notes are an integral part of these statements.

# WatersEdge Ministry Services

## CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2021 (with summarized comparative financial information for the year ended December 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Net interest income				
Loans interest income, net	\$ 3,292,534	\$ 2,821,476	\$ 6,114,010	\$ 5,582,540
Notes payable interest expense	(3,498,347)	-	(3,498,347)	(3,553,967)
Total net interest income	<u>(205,813)</u>	<u>2,821,476</u>	<u>2,615,663</u>	<u>2,028,573</u>
Provision for loan losses	100,156	-	100,156	52,169
Revenues, gains and other support				
Fees for asset management and trust administration	3,914,432	-	3,914,432	3,746,586
Investment return, net	1,057,889	4,492,385	5,550,274	619,939
Other revenues and support				
Cooperative program allocation	24,339	-	24,339	21,761
Contributions	151,746	90,597	242,343	77,517
Other	1,400,349	73,281	1,473,630	411,718
Reclassification of net assets				
Appropriations from endowments	<u>3,662,593</u>	<u>(3,662,593)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>10,211,348</u>	<u>993,670</u>	<u>11,205,018</u>	<u>4,877,521</u>
Expenses and distributions				
Program services				
Estate planning, trust, investment and lending services	5,169,580	-	5,169,580	4,380,745
Distributions to students, elderly and charitable causes	374,376	-	374,376	356,389
Management and general	<u>2,099,473</u>	<u>-</u>	<u>2,099,473</u>	<u>2,170,346</u>
Total expenses and distributions	<u>7,643,429</u>	<u>-</u>	<u>7,643,429</u>	<u>6,907,480</u>
Pension related changes other than net periodic pension costs	<u>(11,028)</u>	<u>-</u>	<u>(11,028)</u>	<u>33,870</u>
CHANGE IN NET ASSETS	<u>2,250,922</u>	<u>3,815,146</u>	<u>6,066,068</u>	<u>(19,685)</u>
Net assets at beginning of year	<u>9,178,074</u>	<u>17,865,680</u>	<u>27,043,754</u>	<u>27,063,439</u>
Net assets at end of year	<u>\$ 11,428,996</u>	<u>\$ 21,680,826</u>	<u>\$ 33,109,822</u>	<u>\$ 27,043,754</u>

The accompanying notes are an integral part of these statements.

# WatersEdge Ministry Services

## CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31,

	2021	2020
Cash flows from operating activities		
Cash received as fees for asset management and trust administration	\$ 3,914,432	\$ 3,746,586
Interest received on church building loans receivable, net	6,087,294	5,531,673
Interest paid on notes payable	(3,672,723)	(3,531,075)
Interest, dividends and other investment income received	993,241	658,276
Cash received from donors and under Cooperative Program	176,085	59,117
Cash paid to employees, suppliers and to benefit recipients	(7,377,704)	(7,016,173)
Cash paid for interest	(76,523)	(72,693)
Cash received from other sources	1,473,630	411,718
Cash flows related to assets held for beneficial owners		
Cash received from or on behalf of beneficial owners	42,022,944	35,439,710
Earnings on assets held for beneficial owners	12,140,176	10,984,818
Distributions to or on behalf of beneficial owners	(47,041,157)	(41,418,330)
	7,121,963	5,006,198
Net cash provided by operating activities	8,639,695	4,793,627
Cash flows from investing activities		
Purchases of certificates of deposit	(1,618,277)	(1,000,000)
Sales of certificates of deposit	1,000,000	-
Purchases of units in investment pools	(65,075,911)	(49,255,554)
Sales of units in investment pools	53,331,461	47,209,159
Advances on notes receivable	(39,778)	(36,310)
Collections on notes receivable	39,555	17,200
Advances on church building loans receivable	(37,100,990)	(25,351,725)
Collections on church building loans receivable	21,144,399	14,213,973
Proceeds from sale of participation agreements	2,060,196	898,700
Payments to participation agreement owners	(809,296)	(707,778)
Purchases of other investments	(2,513,877)	(4,505,592)
Sales of other investments	2,811,372	7,550,288
Purchases of property and equipment	(430,797)	(157,420)
Sales of property and equipment	198,761	55,750
	(27,003,182)	(11,069,309)
Cash flows from financing activities		
Proceeds from sale of notes payable	28,447,612	40,173,020
Withdrawal of maturing notes payable	(15,942,256)	(29,509,960)
Proceeds from long term debt	-	400,000
Payments on long term debt	(100,431)	(97,111)
Proceeds from contributions restricted for investment in endowments	90,597	40,161
	12,495,522	11,006,110
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,867,965)	4,730,428
Cash and cash equivalents at beginning of year	30,748,090	26,017,662
Cash and cash equivalents at end of year	\$ 24,880,125	\$ 30,748,090

Non-cash activities:

Liabilities to beneficial owners include net realized and unrealized gains of \$72,719,947 and \$27,168,679 for 2021 and 2020, non-cash receipts of other investments of \$3,543,958 and \$1,606,287 for 2021 and 2020, and non-cash disposals of other investments of \$3 and \$1,312 for 2021 and 2020. A purchase of a church camp facility in 2020 resulted in a non-cash repayment of a church building loan of \$2,184,866 of principal and \$7,677 of interest. Therefore, WatersEdge had a non-cash acquisition of other investments of \$2,192,563. In 2021, WatersEdge received real estate collateral from a borrower in lieu of foreclosure on church building loans receivable totaling \$11,615.

The accompanying notes are an integral part of these statements.

# WatersEdge Ministry Services

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## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

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December 31, 2021

### 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, devise, 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 renewed annually. WatersEdge uses the proceeds from the sale of these notes payable to make church building loans to finance capital improvement projects. The Circular is filed for registration or exemption with the state securities department in sixteen states and is found to be self-exempt in six additional states. The CEF can sell both demand and term notes in twenty-two states. At December 31, 2021, the CEF had notes payable in twelve states.

WatersEdge formed 25:21, LLC (LLC) 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 the LLC. At December 31, 2021, the LLC had committed capital to one real estate company. The LLC is an Oklahoma limited liability company and will continue perpetually until terminated pursuant to statute or any provision of the operating agreement.

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 non-charitable 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 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.



# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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

1. Consolidation

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

2. Recognition of Donor Restrictions

Net assets without donor restrictions are currently available for operating purposes at the discretion of the WatersEdge Board for use for its associated programs, for general expenditure, and for 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, 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 debt instruments readily convertible into cash to be cash equivalents other than cash equivalents held as part of its investment portfolio.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

#### 4. Certificates of Deposit

Certificates of deposit include term deposits invested into the Certificate of Deposit Account Registry Service (CDARS) which provides full FDIC insurance. Interest on these deposits is paid monthly. The CDARS deposits mature in March 2022 and bear interest at 0.35%. Also, included in certificates of deposit are time certificates invested in the church extension fund of Christian Financial Resources which are not FDIC insured. Interest is paid on these certificates at the end of each quarter. The maturity date is July 2022, and the interest rate is 2.15%. Management believes that adjustments, if any, to market value would be nominal and, as such, the carrying value approximates fair market value.

#### 5. Church Building Loans Receivable, net

Church building loans are carried at the total principal balance of these loans net of an allowance for loan losses. The Board of Directors (Board) approves the methodology used to establish interest rates so that the rates reflect market conditions. The adjustable interest rate on each church building loan is adjusted either on a one, three, five, seven, or ten year basis, dependent on terms selected by the borrower at the time of loan origination. These adjustments result in the principal balances approximating current market value. Management believes that adjustments, if any, to market value would be nominal and, as such, the carrying value approximates market value. Church building loans mature at various dates through December 2048 and bear interest at rates ranging from 3.45% to 6.25%.

Church building loans are presented net of participations and an allowance for loan losses. The adequacy of the allowance is determined by management and the Board based on several factors, including the collection of loans and evaluation of underlying collateral values, loss experience, identification and review of problem loans, quality of the loan portfolio and business and economic conditions. However, ultimate losses may differ from these estimates.

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

Interest on loans is accrued based upon the principal amount outstanding. Loans are placed on nonaccrual status and are considered impaired based on the judgment of management and the WatersEdge 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 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. WatersEdge had one loan on nonaccrual status at December 31, 2021 and 2020.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

#### 6. 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.

Pooled investments are carried at fair market value or at cost if no fair market value can be established. Fair market value for pooled investments, excluding alternative investments, is provided by brokers.

Developed market and emerging market equities consist primarily of cash equivalents and marketable equity securities. Fixed income assets consist primarily of cash equivalents and corporate and governmental debt securities. Alternative investments consist primarily of cash equivalents, futures contracts, and other investment vehicles including structured settlements, distressed debt, venture capital, private equity, real estate, real assets, 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 and changes in net assets.

##### *Other Investments*

Other investments stated at fair market value consist primarily of corporate stocks, mutual funds, bonds, oil and gas income producing properties, and a limited partnership. The corporate stocks, mutual funds, and bonds are stated at fair market value provided by brokers. Oil and gas income producing properties are stated at fair market value as calculated by WatersEdge at five times the annual income from that property. The limited partnership is stated at fair market 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.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

#### 7. Remainder Interests in Assets Held by Others

Remainder interests in assets held 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 and changes in net assets.

#### 8. Donor Advised Funds

Donor advised funds are reported as irrevocable interests in the liability category of Assets Held for Others since donations to these accounts are irrevocable. WatersEdge has variance powers, or legal control, over the assets in each account. However, each account has an advisor, or advisors, that retains advisory privileges with respect to the distribution of the funds and the investment of the assets. The procedure of WatersEdge has been to honor these requests if each meets legal guidelines and does not conflict with the mission of WatersEdge.

#### 9. Property and Equipment

Major expenditures for property and equipment are capitalized at cost while donated property and equipment are capitalized at fair market 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 three to ten 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.

#### 10. Notes Payable

The CEF sells demand and term notes under an Offering Circular. Notes payable are carried at the total principal balance plus an accrual for interest payable to note holders. Interest on notes payable is accrued based upon the principal amount outstanding. Interest on term notes are paid at maturity. Interest on demand notes is paid monthly. The Board approves the methodology used to establish interest rates so that the rates reflect market conditions. This interest rate methodology and the short-term duration of the notes result in the principal balances approximating current market value. Management believes that adjustments, if any, to market value would be nominal and, as such, the carrying value approximates market value. Notes payable mature at various dates through December 2026 and bear interest at rates ranging from 0.95% to 3.67%.

#### 11. Deferred Loan Revenue

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

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

#### 12. 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.

#### 13. 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.

#### 14. Endowment

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

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### 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 of Directors 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.

#### 15. 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.

#### 16. Tax Status

WatersEdge is recognized as a not-for-profit, tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from federal income taxes 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. There were no unrelated business income tax liabilities incurred in either 2021 or 2020. Accordingly, no provision for taxes has been made in the accompanying financial statements. 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. Generally, WatersEdge is no longer subject to income tax examination by federal authorities for years prior to 2017 and state authorities for years prior to 2016. However, the statute remains open for all years for state returns not filed. In addition, WatersEdge had net operating loss carryforwards of approximately \$2,142,000 which begin to expire in 2032 and \$3,273,000 which do not expire but are limited to 80% usage and by siloed unrelated business investments. The generation of the net operating loss carryforward is a result of unrelated business losses from their various partnership investments. There were no material deferred income taxes at December 31, 2021 or 2020 due to valuation allowances associated with deferred income tax assets.

The wholly owned subsidiary of WatersEdge, 25:21 LLC, is an Oklahoma limited liability company and, therefore, is treated as a disregarded entity for income tax purposes. As a disregarded entity, it is exempt from federal and state income taxes except for amounts relating to unrelated business income, of which there was none for 2021 or 2020.



# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

#### 17. Functional Allocation of Expenses

The costs of providing various services, programs and supporting activities have been summarized on a functional basis in the consolidated statement of activities. Note N 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 amount 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.

#### 18. 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.

#### 19. 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.

#### 20. 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 consolidated financial statements of WatersEdge for the year ended December 31, 2020, from which the summarized totals were derived.

#### 21. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU primarily affects lessee accounting, which requires the lessee to recognize a right-of-use asset and a liability to make lease payments for those leases classified as operating leases under previous GAAP. For leases with a term of 12 months or less, an election by class of underlying asset not to recognize lease assets and lease liabilities is permitted. The ASU also provides additional guidance as to the definition of a lease, identification of lease components, and sale and leaseback transactions. The amendments in the ASU are effective for fiscal years beginning after December 15, 2021. WatersEdge expects to recognize a right of use asset and liability on the statement of financial position. However, the impact is not expected to be material.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU requires measurement and recognition of expected credit losses for financial assets held and holding an allowance equal to the expected life-of-loan losses on the loan portfolio. The standard is effective for fiscal periods beginning after December 15, 2022. The impact of the adoption of this ASU is currently being evaluated. However, WatersEdge does not expect changes to the measurement of credit losses to be material.

### NOTE B – CHURCH BUILDING LOANS RECEIVABLE, NET

WatersEdge provides loans primarily to churches for church building projects. The lending policy of WatersEdge requires church building 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:

	2021	2020
Church building loans	\$ 142,016,245	\$ 126,071,269
Participations	(6,735,764)	(5,484,864)
Church buildings loans, net of participations	135,280,481	120,586,405
Less allowance for loan losses	(1,318,536)	(1,218,380)
Net church building loans	<u>\$ 133,961,945</u>	<u>\$ 119,368,025</u>

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

No church building loans were past due more than 30 days at December 31, 2021 or 2020.

WatersEdge had one loan on nonaccrual status at December 31, 2021 and 2020. 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 WatersEdge net interest margin. Had nonaccrual loans performed in accordance with their most recently modified contractual terms, WatersEdge would have recognized additional income of approximately \$14,000 and \$15,000 for 2021 and 2020, respectively.

WatersEdge had one impaired loan with an unpaid principal balance of \$464,082 and \$482,082 at December 31, 2021 and 2020, respectively. The related allowance for loan losses was \$239,082 and \$257,082 at December 31, 2021 and 2020, respectively. Loans are considered impaired when, based on current information and events, it is probable WatersEdge will be unable to collect the full amount of scheduled principal and interest payments in accordance with the original contractual terms of the loan agreement. If a loan is impaired, a specific valuation allowance may be allocated so that the loan is reported net of an allowance for loss. No interest income was recognized on impaired loans subsequent to their classification as impaired in either 2021 or 2020.



# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE B – CHURCH BUILDING LOANS RECEIVABLE, NET - CONTINUED

This impaired loan resulted from WatersEdge modifying the terms of two church building loans from the same church in 2012. The loan was further modified in 2013 and then again in 2016. Had the terms of the original loans not been modified, interest income of \$20,842 and \$22,491 would have been recorded in 2021 and 2020, respectively. WatersEdge has not written off any principal or previously accrued interest because of either loan modification described above.

The allowance for loan losses reflects management’s judgment of probable loan losses inherent in the portfolio at the balance sheet date. To determine the total allowance for loan losses, management takes into consideration the size of the portfolio, past loan loss experience, and probable future losses on loans to specific borrowers. The allowance for loan losses is increased by provisions for losses charged to expense.

The following is a summary of the changes in the allowance for loan losses at December 31:

	2021	2020
Allowance for loan losses:		
Summary of changes -		
Balance at beginning of year	\$ 1,218,380	\$ 1,166,211
Loans charged off	-	-
Provision for doubtful loans	100,156	52,169
Recoveries of amounts previously charged-off	-	-
Balance at end of year	\$ 1,318,536	\$ 1,218,380
Ending Balances -		
Individually evaluated for impairment	\$ 239,082	\$ 257,082
Collectively evaluated for impairment	1,079,454	961,298
	\$ 1,318,536	\$ 1,218,380
Loans:		
Ending Balances -		
Individually evaluated for impairment	\$ 7,598,220	\$ 7,793,827
Collectively evaluated for impairment	134,418,025	118,277,442
	\$ 142,016,245	\$ 126,071,269

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE B – CHURCH BUILDING LOANS RECEIVABLE, NET - CONTINUED

To assess the credit quality of loans, WatersEdge classifies loans into risk categories 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 requires normal attention and supervision. There are no known potential weaknesses and capacity to repay is not questioned.

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

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

Substandard - Nonperforming - Loans that have one or more well-defined weaknesses that jeopardize collection of the debt and are inadequately protected by the current collateral pledged, if any. They are characterized by the distinct possibility that 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 at December 31:

	2021	2020
Pass	\$ 136,600,736	\$ 118,277,442
Special mention	4,951,427	188,485
Substandard-performing	-	7,123,260
Substandard-nonperforming	464,082	482,082
Doubtful	-	-
	<u>\$ 142,016,245</u>	<u>\$ 126,071,269</u>

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### 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. 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:

	2021	2020
Developed market equities		
Cash and money market accounts	1,175,666	868,871
Marketable equity securities	152,770,615	123,441,780
	153,946,281	124,310,651
Emerging market equities		
Cash and money market accounts	58,161	25,476
Marketable equity securities	36,835,842	36,991,056
	36,894,003	37,016,532
Fixed income		
Cash and money market accounts	527,350	57,861
Foreign debt securities	7,524,163	4,495,350
Corporate debt securities	31,717,241	21,093,580
U.S. Government securities	7,622,810	5,208,595
Short Term Investments	868,738	723,781
Accrued interest income	287,308	205,695
	48,547,610	31,784,862
Alternative investments		
Cash and money market accounts	499,060	328,474
Distressed equity	31,891,322	30,683,790
Venture capital	33,675,634	20,047,323
Private equity	44,336,881	28,624,130
Real estate	33,105,007	28,995,160
Real assets	5,675,423	6,076,817
Emerging markets hedge fund	2,432,590	4,606,721
Absolute return hedge fund	1,024,215	11,199,665
Direct lending	21,945,553	12,314,241
	174,585,685	142,876,321
Total pooled investments	\$ 413,973,579	\$ 335,988,366

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE C - POOLED INVESTMENTS - CONTINUED

#### Alternative Investments

WatersEdge uses the NAV to determine the fair value for all alternative investments which 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. 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
	2021	2020	2021		
Distressed equity (a)	31,891,322	30,683,790	12,697,915	N/A	N/A
Venture capital (b)	32,554,973	19,000,504	7,930,125	N/A	N/A
Private equity (c)	43,510,732	28,044,090	39,976,949	N/A	N/A
Real estate (d)	22,544,177	21,928,539	19,964,939	N/A	N/A
Real assets (e)	5,675,423	6,076,817	5,548,981	N/A	N/A
Emerging markets hedge fund (f)	2,432,590	4,606,721	-	Quarterly	65 days
Absolute return hedge fund (g)	1,024,215	11,199,665	-	Quarterly	45-65 days
Direct lending (h)	21,945,553	12,314,241	17,257,536	N/A	N/A
	<u>\$ 161,578,985</u>	<u>\$ 133,854,367</u>	<u>\$ 103,376,445</u>		

- (a) This category includes investments in limited partnerships that invest in multiple manager investment programs that seek to invest globally in top-tier distressed and turnaround managers in both private and public markets. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (b) This category includes investments in limited partnerships that invest in venture capital with exposure to early-stage opportunities. The investment objective is to attain small capitalization equity-like returns. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (c) This category includes investments in limited partnerships that invest in private equity partnerships using multiple strategies either by direct investment or by purchase on a secondary market. The investment objective will be to attain equity-like returns over the life of the partnership. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (d) This category includes investments in limited partnerships that invest with developers in real estate. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (e) This category includes investments in limited partnerships that invest in real assets funds with strategies including oil and gas production, power and energy infrastructure, and oil and gas private equity. The partnerships seek to earn returns that protect the portfolio against inflation. The partnerships return capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (f) This category includes an investment in a limited partnership that attempts to achieve returns consistent to that of public markets over a full economic cycle with less volatility by investing both long and short in public companies in emerging markets. Redemption has been requested from this manager and should be returned equally in the first three quarters of 2022.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE C - POOLED INVESTMENTS - CONTINUED

#### *Alternative Investments - Continued*

- (g) This category includes investments in limited partnerships that invest in hedge funds using multiple managers and multiple strategies. The goal of each investment is the preservation of capital while seeking to achieve superior, consistent, absolute returns with a risk level comparable to the major bond indices. For all four investments, no redemptions are currently allowed as the funds are in various stages of winding down. The remaining capital will be returned as the funds liquidate holdings and resolve contingent liabilities.
- (h) This category includes investments in limited partnerships that provide comprehensive financing solutions. Redemption by the investor is not permitted.

#### *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. In 2021, WatersEdge closed contracts. As a result, there were no open contracts at December 31, 2021.

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 value of the exposure at December 31, 2020. The futures contracts mark-to-market is the unrealized gain on the open contracts. Open contracts had a notional value as follows at December 31, 2020:

	Open Contracts	Maturity Date	Notional Cost	Notional Fair Value	Futures Contracts (Mark-to-Market)
S&P 500 E-mini futures contracts	74	3/19/2021	\$ 13,544,849	\$ 13,870,560	\$ 325,711

No assets or liabilities are recorded at the time of purchase. However, upon entering futures contracts, WatersEdge was required to deposit with its broker cash in accordance with the initial margin requirements. At December 31, 2020, the broker required margin of \$895,400 and WatersEdge had \$9,127,893 deposited. Gains and losses are realized when the contracts expire or are closed. Futures contracts are marked-to-market daily, by the receipt or transfer of cash, based on settlement prices established by the Exchange and an appropriate unrealized gain or loss for the change in value is recorded.

WatersEdge had an unrealized mark-to-market gains of \$325,711 on open futures contracts at December 31, 2020. The realized and unrealized net gain or loss from futures contracts was \$2,412,288 and \$2,397,026 for the years ending December 31, 2021 and 2020, respectively. The gain or loss attributable to WatersEdge is included in the Statements of Activities and Changes in Net Assets and the gain attributable to beneficial owners is included in the Statements of Changes in Liabilities to Beneficial Owners.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE D - OTHER INVESTMENTS

The following summarizes other investments at December 31:

	2021	2020
At market		
Corporate stocks and mutual funds	\$ 11,409,124	\$ 7,816,237
Mineral interests	32,678,328	22,068,234
Limited partnerships	9,412,670	8,969,570
At contributed value or cost		
Notes receivable held in trust accounts	155,810	155,587
Real estate	3,596,691	3,263,245
Life insurance, annuity contracts, and other	148,467	148,465
Total	\$ 57,401,090	\$ 42,421,338

The Limited Partnerships are primarily an investment in a single fund. WatersEdge owned \$8,600,422 and \$8,246,980 of the fund at December 31, 2021 and 2020, respectively. Three accounts managed by WatersEdge for clients owned \$812,198 and \$722,540 of the fund at December 31, 2021 and 2020, 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, 2021 and 2020. 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 Limited Partnerships also include a single investment managed by WatersEdge for a client in the amount of \$50 at December 31, 2021 and 2020.

In addition to church building 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 notes receivable held in trust accounts all have fixed rates. The following is a summary of fixed-rate loans by contractual maturity at December 31:

	2021	2020
Due in 1 year or less	\$ 5,181	\$ -
Due after 1 year through 5 years	23,471	-
Due after 5 years	127,158	155,587
	\$ 155,810	\$ 155,587

Notes receivable held in trust accounts include trusts created to provide student loans. These loans were made in accordance with the terms of the trust document. Also, WatersEdge manages a revocable trust which has provided a loan at the direct instruction of the trustor of the revocable trust.

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".

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### *Fair Value Measurements*

ASC 820 requires WatersEdge to disclose estimated fair values for all financial instruments and non-financial instruments measured at fair value on a recurring basis. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

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.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

#### *Fair Value Measurements – Continued*

The following table presents the fair value measurements of investments 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:

	2021			
	Fair 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>				
<b>Developed market equities</b>				
Cash and money market accounts	\$ 1,175,666	\$ 1,175,666	\$ -	\$ -
Basic materials	5,615,073	5,615,073	-	-
Consumer discretionary	21,175,032	21,175,032	-	-
Consumer staples	12,468,471	12,468,471	-	-
Energy	8,038,378	8,038,378	-	-
Financials	31,883,088	31,883,088	-	-
Health care	14,738,568	14,738,568	-	-
Industrials	14,458,578	14,458,578	-	-
Information technology	27,664,495	27,664,495	-	-
Telecommunications	12,112,817	12,112,817	-	-
Real Estate	143,610	143,610	-	-
Utilities	4,472,505	4,472,505	-	-
<b>Total developed market equities</b>	<b>153,946,281</b>	<b>153,946,281</b>	<b>-</b>	<b>-</b>
<b>Emerging market equities</b>				
Cash and money market accounts	58,161	58,161	-	-
Basic materials	2,804,200	2,804,200	-	-
Consumer discretionary	3,463,461	3,463,461	-	-
Consumer staples	2,092,955	2,092,955	-	-
Energy	1,816,325	1,816,325	-	-
Financials	7,150,698	7,150,698	-	-
Health care	939,970	939,970	-	-
Industrials	2,118,629	2,118,629	-	-
Information technology	10,286,438	10,286,438	-	-
Telecommunications	5,390,871	5,390,871	-	-
Utilities	772,295	772,295	-	-
<b>Total emerging market equities</b>	<b>36,894,003</b>	<b>36,894,003</b>	<b>-</b>	<b>-</b>
<b>Fixed income</b>				
Cash and money market accounts	527,350	527,350	-	-
Foreign debt securities	7,524,163	-	7,524,163	-
Corporate debt securities	31,717,241	-	31,717,241	-
Short Term Investments	868,738	-	868,738	-
U.S. Government securities	7,622,810	7,622,810	-	-
Accrued interest income	287,308	287,308	-	-
<b>Total fixed income</b>	<b>48,547,610</b>	<b>8,437,468</b>	<b>40,110,142</b>	<b>-</b>



# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

#### *Fair Value Measurements – Continued*

	2021 - Continued			
	Fair 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)
Alternative investments				
Cash and money market accounts	\$ 499,060	\$ 499,060	\$ -	\$ -
Alternative investments	12,507,640	-	-	12,507,640
Alternative investments (measured at NAV)	161,578,985			
Total alternative investments	<u>174,585,685</u>	<u>499,060</u>	<u>-</u>	<u>12,507,640</u>
Total pooled investments	<u>413,973,579</u>	<u>199,776,812</u>	<u>40,110,142</u>	<u>12,507,640</u>
Other investments				
Corporate stocks and mutual funds	11,409,124	11,409,124	-	-
Mineral interests	32,678,328	-	-	32,678,328
Limited partnerships (measured at NAV)	9,412,670			
Total other investments	<u>53,500,122</u>	<u>11,409,124</u>	<u>-</u>	<u>32,678,328</u>
Total asset instruments at fair value	<u>\$ 467,473,701</u>	<u>\$ 211,185,936</u>	<u>\$ 40,110,142</u>	<u>\$ 45,185,968</u>
Liabilities to beneficial owners				
Assets held for others	\$ 375,954,414	\$ -	\$ -	\$ 375,954,414
Refundable advances	131,496,384	-	-	131,496,384
Total liability instruments at fair value	<u>\$ 507,450,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 507,450,798</u>

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					Ending Balance
	Beginning Balance	Reclassification to/(from) Level 3	Additional Investments	Distributions	Investment Return	
Asset instruments at fair value						
Alternative investments	\$ 8,693,480	\$ -	\$ 3,942,844	\$ (1,083,529)	\$ 954,845	\$ 12,507,640
Mineral interests	22,068,234	-	16,980	(3)	10,593,117	32,678,328
Total	<u>\$ 30,761,714</u>	<u>\$ -</u>	<u>\$ 3,959,824</u>	<u>\$ (1,083,532)</u>	<u>\$ 11,547,962</u>	<u>\$ 45,185,968</u>
Liability instruments at fair value						
Assets held for others	\$ 324,400,807	\$ -	\$ 10,544,807	\$ (21,619,065)	\$ 62,627,865	\$ 375,954,414
Refundable advances	98,727,540	-	35,273,445	(25,433,710)	22,929,109	131,496,384
Total	<u>\$ 423,128,347</u>	<u>\$ -</u>	<u>\$ 45,818,252</u>	<u>\$ (47,052,775)</u>	<u>\$ 85,556,974</u>	<u>\$ 507,450,798</u>

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

#### *Fair Value Measurements – Continued*

	2020			
	Fair 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>				
<b>Domestic equities</b>				
Cash and money market accounts	\$ 868,871	\$ 868,871	\$ -	\$ -
Basic materials	4,928,117	4,928,117	-	-
Consumer discretionary	18,228,058	18,228,058	-	-
Consumer staples	9,208,839	9,208,839	-	-
Energy	5,085,429	5,085,429	-	-
Financials	22,173,175	22,173,175	-	-
Health care	13,556,134	13,556,134	-	-
Industrials	12,524,090	12,524,090	-	-
Information technology	23,271,770	23,271,770	-	-
Telecommunications	11,272,208	11,272,208	-	-
Real Estate	86,752	86,752	-	-
Utilities	3,107,208	3,107,208	-	-
<b>Total domestic equity</b>	<b>124,310,651</b>	<b>124,310,651</b>	<b>-</b>	<b>-</b>
<b>International equities</b>				
Cash and money market accounts	25,476	25,476	-	-
Basic materials	2,188,011	2,188,011	-	-
Consumer discretionary	5,002,534	5,002,534	-	-
Consumer staples	764,129	764,129	-	-
Energy	1,936,756	1,936,756	-	-
Financials	7,065,260	7,065,260	-	-
Health care	789,368	789,368	-	-
Industrials	1,736,876	1,736,876	-	-
Information technology	9,624,940	9,624,940	-	-
Telecommunications	7,180,230	7,180,230	-	-
Utilities	702,952	702,952	-	-
<b>Total international equity</b>	<b>37,016,532</b>	<b>37,016,532</b>	<b>-</b>	<b>-</b>
<b>Fixed income</b>				
Cash and money market accounts	57,861	57,861	-	-
Foreign debt securities	4,495,350	-	4,495,350	-
Corporate debt securities	21,093,580	-	21,093,580	-
Short Term Investments	723,781	-	723,781	-
U.S. Government securities	5,208,595	5,208,595	-	-
Accrued interest income	205,695	205,695	-	-
<b>Total fixed income</b>	<b>31,784,862</b>	<b>5,472,151</b>	<b>26,312,711</b>	<b>-</b>

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

#### *Fair Value Measurements – Continued*

	2020 - Continued			
	Fair 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)
Alternative investments				
Cash and money market accounts	\$ 328,474	\$ 328,474	\$ -	\$ -
Alternative investments	8,693,480	-	-	8,693,480
Alternative investments (measured at NAV)	133,854,367			
Total alternative investments	<u>142,876,321</u>	<u>328,474</u>	<u>-</u>	<u>8,693,480</u>
Total pooled investments	<u>335,988,366</u>	<u>167,127,808</u>	<u>26,312,711</u>	<u>8,693,480</u>
Other investments				
Corporate stocks and mutual funds	7,816,237	7,816,237	-	-
Mineral interests	22,068,234	-	-	22,068,234
Limited partnerships	8,969,570			
Total other investments	<u>38,854,041</u>	<u>7,816,237</u>	<u>-</u>	<u>22,068,234</u>
Total asset instruments at fair value	<u>\$ 374,842,407</u>	<u>\$ 174,944,045</u>	<u>\$ 26,312,711</u>	<u>\$ 30,761,714</u>
Liabilities to beneficial owners				
Assets held for others	\$ 324,400,807	\$ -	\$ -	\$ 324,400,807
Refundable advances	98,727,540	-	-	98,727,540
Total liability instruments at fair value	<u>\$ 423,128,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,128,347</u>

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Beginning Balance	Reclassification to/(from) Level 3	Additional Investments	Distributions	Investment Return	Ending Balance
Asset instruments at fair value						
Alternative investments	\$ 7,997,400	\$ -	\$ 450,750	\$ -	\$ 245,330	\$ 8,693,480
Mineral interests	26,639,629	-	1,067	(1,312)	(4,571,150)	22,068,234
Limited partnerships	6,725,858	(6,725,858)	-	-	-	-
Total asset instruments at fair value	<u>\$ 41,362,887</u>	<u>\$ (6,725,858)</u>	<u>\$ 451,817</u>	<u>\$ (1,312)</u>	<u>\$ (4,325,820)</u>	<u>\$ 30,761,714</u>
Liability instruments at fair value						
Assets held for others	\$ 297,963,885	\$ -	\$ 8,917,479	\$ (18,833,334)	\$ 36,352,777	\$ 324,400,807
Refundable advances	90,746,165	-	28,335,386	(22,586,308)	2,232,297	98,727,540
Total liability instruments at fair value	<u>\$ 388,710,050</u>	<u>\$ -</u>	<u>\$ 37,252,865</u>	<u>\$ (41,419,642)</u>	<u>\$ 38,585,074</u>	<u>\$ 423,128,347</u>

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

#### *Fair Value of Financial Instruments*

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all WatersEdge financial assets and financial liabilities carried at fair value.

#### Church Building Loans Receivable

Church building loans are carried at the total principal balance less an allowance for loan losses. Participated shares reduce the total principal balance carried. Since the interest rates adjust on a one, three, five, seven or ten-year basis, dependent on terms selected by the borrower, management believes that the carrying value of the loans, as described above, approximates market value.

#### 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 statement of financial position. Additional disclosure on limited partnerships 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.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

#### *Fair Value of Financial Instruments – Continued*

Other Investments – At Market - Other investments consist of corporate stocks and mutual funds 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.

For limited partnerships, 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 statement of financial position. Additional disclosure on limited partnerships measured at fair value using the net asset value per share is provided in Note D.

Other Investments – Notes Receivable and Life and Annuity Contracts and Other - The carrying amount approximates fair value because contractual rates approximate market rates.

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.

Cash and Cash Equivalents, Certificates of Deposit, Accounts Receivable, and Accounts Payable and Accrued Expenses - The carrying amount approximates fair value because of their short maturity and highly liquid nature.

Long Term Debt – The carrying amount approximates fair value because contractual rates approximate market rates that are currently available to WatersEdge.

Notes Payable – Notes payable are carried at the total principal balance plus an accrual for interest payable. Demand notes accrue interest at a rate that is adjusted monthly while term notes accrue interest at a rate that remains fixed throughout its term. Since the interest rates approximate market rates, management believes that the carrying value of the notes payable, as described above, approximates market value.

Liabilities to Beneficial Owners – Liability to Income Beneficiaries Under Split-Interest Agreements - The carrying amount approximates fair value because the discount rates used to calculate this liability approximate current market rates that WatersEdge could obtain for borrowings.

Financial assets, as described above, are the non-physical assets whose value is derived from a contractual claim to the asset and its potential income stream. Since the carrying amounts all approximate market value, the carrying amounts are reported in the financial statements. For purposes of liquidity analysis, Note O begins with financial assets, which can be obtained by excluding prepaid assets, real estate, and property and equipment from total assets on the statement of position.

Financial liabilities, as listed above, exclude deferred revenues.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE F - INVESTMENT RETURN

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

	2021		
	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	\$ 274,517	\$ 718,724	\$ 12,837,027
Net realized and unrealized gains (losses) on investments	783,372	3,773,661	72,719,947
	\$ 1,057,889	\$ 4,492,385	\$ 85,556,974
	2020		
	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	\$ 183,016	\$ 475,260	\$ 11,416,395
Net realized and unrealized gains (losses) on investments	210,612	(248,949)	27,168,679
	\$ 393,628	\$ 226,311	\$ 38,585,074

### NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2021	2020
Office furniture	\$ 318,907	\$ 287,977
Office equipment	45,319	92,215
Computer equipment	327,390	302,065
Computer software	430,208	488,750
Automobiles	368,079	294,286
Leasehold improvements	322,049	327,012
	1,811,952	1,792,305
	(1,256,522)	(1,278,114)
	\$ 555,430	\$ 514,191

Depreciation expense was \$244,366 and \$266,522 at December 31, 2021 and 2020, respectively.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE H - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

WatersEdge maintains a plan to provide health, life, and termination benefits to retirees. Estimated costs are recognized over the employee's active service period. The plan, as originally adopted, provided health and life insurance premium coverage for all employees and spouses after ten years of service upon normal retirement. Subsequently, the plan was amended to increase the service period to 15 years and to limit coverage by excluding spouses. This amendment resulted in an unrecognized prior service benefit of \$139,328 and an unrecognized net gain of \$40,618. In 2005, the plan was further amended to eliminate all postretirement health care and life insurance benefits for current employees and life insurance benefits for most of the current retirees. A more complete explanation of this amendment is included below. The plan as adopted and amended 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 statement of financial position and requires that plan assets and obligations be measured at the year-end statement of financial position date.

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

	2021	2020
Accumulated postretirement benefit obligations		
For retirees	\$ 169,837	\$ 158,073
For active employees fully eligible	-	55,730
For active employees not fully eligible	294,724	233,424
Funded status	464,561	447,227
Unrecognized net (loss) or gain	9,722	20,750
Accrued postretirement benefit cost	\$ 474,283	\$ 467,977

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

	2021	2020
Accrued postretirement benefit cost at beginning of year	\$ 467,977	\$ 465,748
Net postretirement benefit cost	23,915	29,755
Benefits paid	(17,609)	(27,526)
Accrued postretirement benefit cost at end of year	474,283	467,977
Net loss or (gain) and prior service benefit	(9,722)	(20,750)
Funded status	\$ 464,561	\$ 447,227

The activity from unrecognized gains (losses) and changes in prior service benefit of (\$11,028) and \$33,870 for 2021 and 2020, respectively, has been recognized in the 2021 and 2020 Statements of Activities and Changes in Net Assets 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.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE H - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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

	2021	2020
Weighted-average assumption used to determine benefit obligations at December 31,		
Discount rate	2.27%	1.60%
Life Expectancy of Active Participants	14.7 years	13.1 years
Assumed health care cost trend rates at December 31,		
Health care cost trend rate assumed for next year (medical/Rx)	3.80% / 6.50%	3.90% / 7.00%
Rate to which the cost trend rate is assumed to decline, the ultimate trend rate (medical/Rx)	3.80% / 4.90%	3.90% / 4.90%
Year that the rate reaches the ultimate trend rate	2029	2028

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

2022	\$	86,484
2023		14,781
2024		103,371
2025		11,902
2026		10,423
2027-2031		232,403

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted. Among other features, the Act introduced a prescription drug benefit under Medicare Part D and a federal subsidy to sponsors of retiree health care plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The effects of this Act were considered in the actuarial valuation prepared by our outside actuary. Based on the actuary's analysis, the prescription benefit coverage provided to retirees under the plan through the medical insurance provider of WatersEdge, Guidestone Financial Resources, is at least actuarially equivalent to those provided by Medicare Part D. Therefore, for purposes of the actuarial valuation, it was assumed that WatersEdge will pay reduced Medicare supplement premiums because of Guidestone receiving the benefits of subsidies.



# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE I – CURRENT AND LONG-TERM DEBT OBLIGATIONS

During 2020, WatersEdge expanded a previously existing line of credit to \$15,000,000, with an additional \$5,000,000 accordion feature if needed. During 2020, WatersEdge drew \$400,000. The debt bears interest at a variable rate, currently at the floor of 2.00%, and has a maturity of September 29, 2022. 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 \$143,768,000 and \$117,697,000 at December 31, 2021 and 2020, respectively.

In 2017, WatersEdge acquired financing from Bank of Oklahoma which was then used to fund a loan to the Convention on like terms. In 2019, the Convention provided a full payoff on their loan. However, to avoid prepayment penalties at Bank of Oklahoma, WatersEdge did not make a corresponding payoff. The outstanding principal balance of the debt was \$2,108,810 and \$2,209,241 at December 31, 2021 and 2020, respectively. The debt bears interest at 3.12% and has a maturity of November 20, 2022. Payments on this debt are based on a 20-year amortization with all remaining interest and principal due upon maturity. WatersEdge pledged the same investment account that is held in custody at Bank of Oklahoma as collateral on this debt with a value of approximately \$143,768,000 and \$117,697,000 at December 31, 2021 and December 31, 2020, respectively.

WatersEdge is subject to various loan covenants and was following all covenants at December 31, 2021. All principal payments are scheduled to be due in 2022 and will be repaid, unless the line of credit is renewed.

### NOTE J - NOTES PAYABLE

Through the Circular, which was renewed on May 1, 2021, the CEF offered notes payable in the aggregate principal amount of \$175,000,000. The Circular was prepared in compliance with the North American Securities Administrators Association, Inc. (NASAA) Statement of Policy for offerings of securities. 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 at maturity.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE J – NOTES PAYABLE - CONTINUED

A summary of notes payable is as follows:

	2021	2020
Demand notes	\$ 26,020,406	\$ 16,701,694
Term notes	56,189,047	53,002,403
Accrued interest payable on term notes	887,691	1,062,067
	\$ 83,097,144	\$ 70,766,164

Scheduled maturities of term notes payable, at December 31, 2021:

2022	42,626,478
2023	11,033,357
2024	1,115,902
2025	573,851
2026	839,459
	\$ 56,189,047

Per NASAA Statement of Policy, the Church Extension Fund must maintain cash, cash equivalents, readily marketable securities, and available lines of credit less accounts payable of at least 8% of the principal balance of its outstanding notes payable. The CEF had no outstanding lines of credit as of December 31, 2021 or 2020. The following presents total liquid assets as a percentage of outstanding notes payable for the years ending December 31:

	2021	2020
Cash and cash equivalents	\$ 7,810,226	\$ 9,452,525
Certificates of deposit	1,618,277	1,000,000
Readily marketable securities	593,601	595,967
Accounts payable to affiliate	(56,051)	(33,157)
Total liquid assets	\$ 9,966,053	\$ 11,015,335
Outstanding notes payable	\$ 82,209,453	\$ 69,704,097
Total liquid assets as a percentage of outstanding notes payable	12.1%	15.8%

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE K - 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.

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

	2021	2020
Liabilities to income beneficiaries under split-interest agreements		
Gift annuity contracts	\$ 2,804,627	\$ 3,242,513
Irrevocable trust agreements	3,144,506	2,957,970
	\$ 5,949,133	\$ 6,200,483
Assets held for others		
Assets held as trustee under permanent endowments	\$ 253,272,368	\$ 219,932,961
Assets held under agreements with affiliated entities to administer endowments or other trust funds	99,095,315	83,526,634
Remainder interests under gift annuity contracts, and irrevocable trust agreements	6,321,220	6,391,609
Donor advised funds	17,265,511	14,549,603
	\$ 375,954,414	\$ 324,400,807
Refundable Advances		
Assets held under custodial arrangements with affiliated entities	\$ 127,843,192	\$ 95,673,817
Conditional transfers from donors	3,653,192	3,053,723
	\$ 131,496,384	\$ 98,727,540

#### 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 which are for life are estimated using 1999 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 non-charitable 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.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE K - LIABILITY TO BENEFICIAL OWNERS – CONTINUED

Irrevocable Trust Agreements - The balances represent the present value of estimated future payments to non-charitable 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 non-charitable.

#### 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.

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.

#### Donor Advised Funds

WatersEdge holds, invests, and administers assets under donor advisement. Upon request of the donor, funds are granted to charitable beneficiaries. Where grants are made to benefit WatersEdge, a contribution will be recognized when the funds are transferred.

#### 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 non-charitable beneficiary. Because these assets may be withdrawn by revocation or through consumption by non-charitable 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 non-charitable beneficiaries to corpus lapse.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE L - 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 \$5,243,048 and \$4,695,874 for the following purposes at December 31, 2021 and 2020, respectively as follows:

	2021	2020
Funds functioning as endowment	\$ 639,640	\$ 554,891
Annuity reserve	469,548	473,068
Opportunity reserve	840,514	795,314
Operating reserve	3,292,672	2,871,936
Endowment matching funds	674	665
	<u>\$ 5,243,048</u>	<u>\$ 4,695,874</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 M. Annually funds are appropriated from this designated account to meet cash needs for general expenditure within one year.

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.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE M - 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:

	2021	2020
Board designated endowment funds	\$ 639,640	\$ 554,891
Donor restricted endowment funds		
Subject to expenditure for a specified purpose		
Student scholarships and other charitable causes	13,583,533	10,466,382
Subject to the appropriation (original gift amount of \$5,686,432 and \$5,607,149 as of 2021 and 2020, respectively) which once appropriated is available for general needs and expenses of WatersEdge	8,097,293	7,399,298

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

	2021			
	Without Donor Restrictions	With Donor Restrictions - for a Specified Purpose	With Donor Restrictions - Subject to Appropriation	Total With Donor Restrictions
Endowment assets at beginning of year	\$ 554,891	\$ 10,466,382	\$ 7,399,298	\$ 17,865,680
Contributions	-	844	89,753	90,597
Investment return	112,595	3,607,379	885,006	4,492,385
Other	2,688	(33,145)	2,927,902	2,894,757
Appropriations	(30,534)	(457,927)	(3,204,666)	(3,662,593)
Endowment assets at end of year	\$ 639,640	\$ 13,583,533	\$ 8,097,293	\$ 21,680,826
	2020			
	Without Donor Restrictions	With Donor Restrictions - for a Specified Purpose	With Donor Restrictions - Subject to Appropriation	Total With Donor Restrictions
Endowment assets at beginning of year	\$ 533,929	\$ 10,731,376	\$ 7,566,703	\$ 18,298,079
Contributions	-	13,745	26,416	40,161
Investment return	51,298	149,356	76,955	226,311
Other	(6,256)	13,730	2,877,955	2,891,685
Appropriations	(24,080)	(441,825)	(3,148,731)	(3,590,556)
Endowment assets at end of year	\$ 554,891	\$ 10,466,382	\$ 7,399,298	\$ 17,865,680

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, 2021 and 2020.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE N – 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 depreciation and occupancy, and salaries and benefits. Depreciation and occupancy are both allocated based on square footage, and salaries and benefits are allocated based on estimates of time and effort.

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

	2021		
	Total	Program services	Management and general
Salaries and benefits	\$ 4,442,936	\$ 3,306,559	\$ 1,136,377
Business	1,086,945	513,687	573,258
Professional services	769,313	535,530	233,783
Marketing and communications	434,710	385,283	49,427
Depreciation	244,366	144,660	99,706
Interest expense	76,523	76,523	-
Miscellaneous	214,260	207,338	6,922
Total expenses	<u>7,269,053</u>	<u>5,169,580</u>	<u>2,099,473</u>
Distributions to students, elderly, and charitable causes	374,376	374,376	-
Total expenses and distributions	<u>\$ 7,643,429</u>	<u>\$ 5,543,956</u>	<u>\$ 2,099,473</u>
	2020		
	Total	Program services	Management and general
Salaries and benefits	\$ 3,943,159	\$ 2,742,231	\$ 1,200,928
Business	901,397	390,013	511,384
Professional services	955,460	639,618	315,842
Marketing and communications	280,471	258,582	21,889
Depreciation	266,522	151,917	114,605
Interest expense	72,693	72,693	-
Miscellaneous	131,389	125,691	5,698
Total expenses	<u>6,551,091</u>	<u>4,380,745</u>	<u>2,170,346</u>
Distributions to students, elderly, and charitable causes	356,389	356,389	-
Total expenses and distributions	<u>\$ 6,907,480</u>	<u>\$ 4,737,134</u>	<u>\$ 2,170,346</u>

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE O – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the financial assets of WatersEdge at December 31, 2021, reduced by amounts not available for general use within one year either because of donor-imposed restrictions, illiquidity, or Board designation for a specific use. For purposes of liquidity analysis, financial assets can be obtained by excluding prepaid assets, real estate, and property and equipment from total assets on the statement of position.

WatersEdge maintains reasonable liquidity to meet the anticipated needs of the maturing notes payable by meeting the minimum NASAA liquidity requirements.

In addition, the management of the liquidity requires financial assets to be structured with availability as general expenditures, liabilities, and other obligations come due. To accomplish this, WatersEdge divides liquidity management into distinct segments as shown below.

	2021				Total
	Church Extension Fund	Other Foundation Net Assets		Assets Administered as Trustee, Custodian or Agent	
		Assets Without Donor Restrictions	Assets With Donor Restrictions		
Total financial assets	\$ 144,341,751	\$ 9,313,911	\$ 18,384,290	\$ 456,787,139	\$ 628,827,091
Amount unavailable for general expenditure in the next 12 months due to contractually imposed restrictions:					
Church Building Loans, net	133,961,945	-	-	-	133,961,945
Accrued interest receivable	357,702	-	-	-	357,702
Current and long-term debt obligations	-	2,508,810	-	-	2,508,810
Financial assets contractually available to meet donor imposed restrictions and general expenditures within one year	<u>10,022,104</u>	<u>6,805,101</u>	<u>18,384,290</u>	<u>456,787,139</u>	<u>491,998,634</u>
Amount unavailable for general expenditure in the next 12 months due to donor imposed restrictions:					
Assets administered as trustee, custodian, or agent	-	-	-	456,787,139	456,787,139
Deposits held for others	-	1,483	-	-	1,483
Endowments (\$21,680,826 less funds appropriated for current use of \$177,845)	3,296,536	-	18,206,445	-	21,502,981
Financial assets available to meet cash needs for general expenditures within one year	<u>6,725,568</u>	<u>6,803,618</u>	<u>177,845</u>	<u>-</u>	<u>13,707,031</u>
Amount unavailable to management without Board approval:					
Operating reserve	-	3,292,672	-	-	3,292,672
Fund functioning as endowment	-	639,640	-	-	639,640
Other Board designations	-	1,310,736	-	-	1,310,736
Financial assets available to meet cash needs for general expenditures within one year after Board designations	<u>\$ 6,725,568</u>	<u>\$ 1,560,570</u>	<u>\$ 177,845</u>	<u>\$ -</u>	<u>\$ 8,463,983</u>



# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

	2020				
	Church Extension Fund	Other Foundation Net Assets		Assets Administered as Trustee, Custodian or Agent	Total
		Assets Without Donor Restrictions	Assets With Donor Restrictions		
Total financial assets	\$ 130,747,503	\$ 8,039,656	\$ 14,569,144	\$ 373,267,131	\$ 526,623,434
Amount unavailable for general expenditure in the next 12 months due to contractually imposed restrictions:					
Church Building Loans, net	119,368,025	-	-	-	119,368,025
Accrued interest receivable	330,986	-	-	-	330,986
Current and long-term debt obligations	-	2,609,241	-	-	2,609,241
Financial assets contractually available to meet donor imposed restrictions and general expenditures within one year	11,048,492	5,430,415	14,569,144	373,267,131	404,315,182
Amount unavailable for general expenditure in the next 12 months due to donor imposed restrictions:					
Assets administered as trustee, custodian, or agent	-	-	-	373,267,131	373,267,131
Deposits held for others	-	1,167	-	-	1,167
Endowments (\$17,865,680 less funds appropriated for current use of \$166,620)	3,296,536	-	14,402,524	-	17,699,060
Financial assets available to meet cash needs for general expenditures within one year	7,751,956	5,429,248	166,620	-	13,347,824
Amount unavailable to management without Board approval:					
Operating reserve	-	2,871,936	-	-	2,871,936
Fund functioning as endowment	-	554,891	-	-	554,891
Other Board designations	-	1,269,047	-	-	1,269,047
Financial assets available to meet cash needs for general expenditures within one year after Board designations	\$ 7,751,956	\$ 733,374	\$ 166,620	\$ -	\$ 8,651,950

WatersEdge manages investments for both itself under donor-imposed restrictions and for other beneficial owners. Investment of these assets follow policies approved by the Board as well as prescribe to asset allocations approved by the Investment Committee of the Board. These asset allocations consider the liquidity 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.

# WatersEdge Ministry Services

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## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

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December 31, 2021

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

To help manage unanticipated liquidity needs, WatersEdge has committed to a line of credit of \$15,000,000, with an additional \$5,000,000 accordion feature if needed, which it could draw upon. As discussed in Note I, WatersEdge drew \$400,000 from this line of credit during 2020. This line could allow the funding of committed capital or loan advances without requiring the sale of equities and bonds at deflated prices in a depressed economic environment. This line could also help fund operations in a crisis.

Financial assets available to meet cash needs for general expenditures within one year, after board designations, were \$8,463,983 and \$8,651,950 at December 31, 2021 and 2020. Assets of \$8,463,983 at December 31, 2021 can cover 330 days of general expenditures. These assets are comprised of cash and cash equivalents, short term receivables, and pooled investments. In addition to covering general expenditures, these financial assets are available to meet the anticipated needs of the notes payable as demonstrated in Note J by meeting the NASAA liquidity requirements.

Additionally, WatersEdge has Board designated funds that, while not intended to be spent on purposes other than those identified, could be made available, if necessary. Most notably, the Operating Reserve and the Fund Functioning as Endowment would be made available first. Collectively, these designated funds were \$3,932,312 at December 31, 2021 and can cover an additional 153 days of general expenditures. The remaining \$1,310,736 in other Board designated funds could then be made available, if necessary. As a matter of practicality, it is possible the total of Board designated funds that which 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

Cash and cash equivalents are currently available. Operating receivables have varying degrees of availability, but generally convert to cash within 30 days. Pooled investments can be liquidated at the end of each month once WatersEdge completes the monthly valuation of its common funds. The appropriated endowment distribution is received at the end of each quarter.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE P - AFFILIATED ENTITIES

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, 2021 and 2020, respectively: the Convention, approximately \$54,599,000 and \$45,689,000, Oklahoma Baptist University, approximately \$200,287,741 and \$159,641,000, Oklahoma Baptist Homes for Children, Inc., approximately \$100,027,000 and \$83,270,000, and Baptist Village Communities of Oklahoma, Inc., approximately \$38,127,000 and \$34,423,000. For this purpose, affiliates are those organizations whose directors or trustees are elected by the participating churches of the Convention at its annual meeting.

WatersEdge receives appropriations from the Cooperative Program of the Convention. The appropriations received in 2021 and 2020 were \$24,339 and \$21,761, respectively. As discussed in Note Q, WatersEdge has leased office facilities from the Convention and Oklahoma Baptist University.

WatersEdge makes loans to churches, associations and agencies affiliated with the Convention to finance the purchase of land and buildings. These loans are secured by first mortgages on the property and buildings constructed. The lives of these loans vary up to a maximum of 20 years. Interest rates are set by WatersEdge Loan Services Committee with consideration given to the current rates available from commercial sources. The balance of church building loans outstanding was \$142,016,245 and \$126,071,269 at December 31, 2021 and 2020, respectively. An allowance of \$1,318,536 and \$1,218,380 for uncollectible loans was recorded at December 31, 2021 and 2020, respectively. The balance for participations agreements with other Baptist foundations was \$6,735,764 and \$5,484,864 at December 31, 2021 and 2020, respectively.

On November 25, 2020, WatersEdge purchased a church camp facility from a borrower in the amount of \$2,408,066. At closing, \$2,192,563 of the proceeds were applied as a full repayment of the outstanding indebtedness, \$7,677 as interest and \$2,184,886 as principal. The borrower received the remaining proceeds of the sale. At the date of the purchase agreement, the borrower was neither in default nor did the loan qualify for classification as substandard due to either a loan modification or deteriorating financial condition of the borrower. As all interest income on the loan was paid as agreed, this transaction did not result in a loss for WatersEdge.

In conjunction with the purchase of the church camp facility, WatersEdge executed a lease agreement with the Convention for two lots in Falls Creek Baptist Conference Center where the facility is located. The lease has a term of twenty-five years, including an option to renew with substantially similar terms. The lease was obtained at no current cost or future financial obligation.

WatersEdge subsequently arranged, through an operating agreement, for the campground owner, the Convention, to maintain the facility and secure tenants for the facility. WatersEdge agreed to pay the Convention \$1,000 per year for these services. Included in the operating agreement is a purchase option for the Convention to purchase the cabin. The purchase option is open for a term of five years. The convention paid WatersEdge \$5,000 to secure the purchase option. The purchase price will be determined on the date of execution by netting the original purchase price paid by WatersEdge with net revenue, rental payments received from tenants less costs to maintain the property.

# WatersEdge Ministry Services

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE Q - LEASED FACILITIES

WatersEdge conducts its operations in Oklahoma City from facilities leased from the Convention. This lease has a term of one year. Rental expense under this lease totaled \$198,053 and \$196,053 in 2021 and 2020, respectively all of which was paid to the Convention. The future annual rental commitments reflect anticipated annual renewals through the expected lives of related leasehold improvements in 2025 and considers increases based upon escalating costs.

In 2019, WatersEdge expanded its operations to Shawnee, OK through facilities leased from Oklahoma Baptist University. This lease has a term of three years. Rental expense under this lease totaled \$12,502 and \$10,906 in 2021 and 2020, respectively, all of which was paid to Oklahoma Baptist University. The future annual rental commitments consider increases based upon the contract.

The minimum future annual rental commitments under these leases are as follows:

2022	210,151
2023	215,462
2024	220,844
2025	207,412
	<u>\$ 853,869</u>

### NOTE R - 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 \$362,643 and \$332,399 at December 31, 2021 and 2020, respectively. WatersEdge policy is to fund pension cost as it is incurred.

### NOTE S - COMMITMENTS AND CONTINGENCIES

WatersEdge had outstanding church building loan receivable commitments totaling approximately \$40,173,000 and \$19,319,000 at December 31, 2021 and 2020, respectively.

WatersEdge had unfunded commitments to purchase units of alternative investments measured at NAV totaling approximately \$103,376,000 and \$113,237,000 at December 31, 2021 and 2020, respectively and unfunded commitments to purchase units of alternative investments measured by methods other than NAV of approximately \$1,740,000 and \$2,602,000 at December 31, 2021 and 2020, 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 2021 and 2020.

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 Ministry Services

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## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

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December 31, 2021

### **NOTE S - COMMITMENTS AND CONTINGENCIES – CONTINUED**

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

### **NOTE T – SUBSEQUENT EVENTS**

WatersEdge had no subsequent events through April 22, 2022, which is the date the financials were issued, requiring recording or disclosure in the financial statements for the year ended December 31, 2021.



WatersEdge

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