

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC. ®
700 Prospect Avenue
Cleveland, Ohio 44115-1100
(216) 736-3829
(888) 822-3863
www.cornerstonefund.org

OFFERING CIRCULAR
\$150,000,000
TERM NOTES, FLEXIBLE DEMAND NOTES, FLEXIBLE DEMAND PLUS NOTES,
AND GIVING BONUS-60 MONTH NOTES

We are offering up to \$150,000,000 of Term Notes, Flexible Demand Notes, Flexible Demand Plus Notes, and Giving Bonus-60 Month Notes (collectively, the “Notes”). The Notes are unsecured debt obligations of the United Church of Christ Cornerstone Fund, Inc. (“Cornerstone Fund”). We will pay interest on the Notes at the rates set forth on the accompanying interest rate sheet (“Rate Sheet”). We may adjust the rates of interest we pay on the Notes from time to time. The terms, interest rates, and minimum investment available as of the date we delivered this Offering Circular are reflected on the Rate Sheet attached to the Application to Purchase accompanying this Offering Circular. Certain Notes are also available as investments for Individual Retirement Accounts and the applicable interest rate for such Notes will be stated on the Rate Sheet accompanying the Application to Purchase.

<u>Instrument</u>	<u>Maturity</u>	<u>Minimum Investment</u>
Flexible Demand Notes	Demand	\$50*
Flexible Demand Plus Notes	Demand	\$50*
Term Notes	3 to 60 months	\$500**
60 Month Term Notes with Giving Bonus	60 months	\$10,000

With the exception of the Flexible Demand Notes, Flexible Demand Plus Notes, and 60 Month Term Notes with Giving Bonus, interest rates paid are tiered based upon the amount of the investment as provided on the accompanying Rate Sheet. The 60 Month Note with Giving Bonus is a special investment program incorporating a gift to a United Church of Christ entity. See “DESCRIPTION OF THE NOTES – GIVING BONUS” on page 20 for details. *The minimum investment is \$25 for Demand Notes held for the benefit of a minor under the Uniform Transfers to Minors Act. See “DESCRIPTION OF THE NOTES – KIDS CLUB INVESTMENT PROGRAM” on page 22 for details. **The minimum investment as of April 30, 2020 is \$500, but may change from time to time. See the accompanying Rate Sheet or the Fund’s website www.cornerstonefund.org for current minimum investment requirements.

In order for you to purchase any Notes, prior to your receiving an Offering Circular, you must be a member of, a contributor to (including an investor), or participant in the United Church of Christ (“UCC”) or the Cornerstone Fund or in any program, activity, or organization which constitutes a part of the UCC or the Cornerstone Fund, or in other Protestant church organizations which have a programmatic relationship or are religiously aligned with the UCC or the Cornerstone Fund, or such other persons or entities having a reasonable association or affiliation with the Limited Class, as further defined on page 23.

There are no underwriters or outside selling agents involved with this offering, and no commissions or underwriting expense will be paid. We will receive 100% of the proceeds of the sale of the Notes, out of which we must pay all related expenses of the offering, which we estimate will be approximately \$130,000 per year.

Your purchase of Notes is subject to certain risks. You could lose some or all of your investment. Please read the “Risk Factors” beginning on page 3

The date of this Offering Circular is April 30, 2020.

* Not FDIC or SIPC Insured

* Not a Bank Deposit

* No UCC Guarantee

You are encouraged to consider the concept of investment diversification when determining whether to invest in the Notes and the amount of Notes that would be appropriate for you in relation to your overall investment portfolio and personal financial needs.

You are dependent on our financial condition for repayment of the Notes. Our Notes are not insured by the Federal Deposit Insurance Corporation or any other governmental agency. The Notes are not guaranteed by the United Church of Christ or any church, conference, institution or agency of the United Church of Christ.

You should read this Offering Circular, which contains important information about the Cornerstone Fund, before deciding whether to invest, and retain it for future reference. In making an investment decision, you should rely on your own examination of the Cornerstone Fund and the terms of the offering, including the merits and risks involved. You should rely only on the information provided in this Offering Circular. We have not authorized anyone to provide you with any other or different information.

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

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

THIS OFFERING CIRCULAR SETS FORTH CONCISELY INFORMATION ABOUT THE SECURITIES THAT YOU SHOULD KNOW BEFORE INVESTING, AND SHOULD BE RETAINED FOR FUTURE REFERENCE.

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

STATE SPECIFIC INFORMATION

Please read the information applicable to specific states below. This information will apply to you if you are a resident of one of those states. We are or may be qualified to offer and sell our Notes in the following states. However, these states require the following special disclosures, which you should read if you live in one of these states:

California Residents: If you are a resident of California, your Term Notes will not be automatically renewed at maturity. We will notify you approximately thirty (30) days before your Term Note matures, at which time you will have the opportunity to send in the Term Note for repayment or notify us of your intention to renew the Term Note for an additional like term or reinvest the principal balance of the Term Note in another form of Term Note that is available at that time. If you do not affirmatively elect to renew or reinvest, the principal balance of the Term Note will be paid to you upon your sending the Term Note to us for payment. If the Term Note is not sent to us for repayment or if you do not elect to renew or reinvest, on and after the maturity date, the Term Note will be treated and earn interest as a Future Demand Note until we receive the Term Note from you for payment or you elect to renew or reinvest. California residents will only be able to renew their Term Notes or reinvest in other Term Notes if we hold a current registration permit in California. We cannot assure you that such permits will be issued in the future.

Notes purchased in California are subject to restrictions on transfer imposed pursuant to California law. Each certificate representing a Note issued to an investor in California will bear the following legend: IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF BUSINESS OVERSIGHT OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES. A copy of Section 260.1411.11 (Restriction on Transfer) of the California Code of Regulations will be delivered to the original investor and to each transferee of such security at the time the certificate evidencing the Note (or, if uncertificated, the confirmation of the original investment or transfer of the Note) is delivered to the investor or transferee.

Florida Residents: The securities being offered have not been registered in the State of Florida. The securities will be sold pursuant to an exemption from registration. Offers and sales of the securities in Florida may only be made by persons registered with the Florida Office of Financial Regulation.

Kentucky Residents: These securities are issued pursuant to a claim of exemption from registration under Section KRS 292.400(9) of the Kentucky Securities Act.

Automatic renewal at maturity as described in this Offering Circular is not available for Kentucky. We will notify each Kentucky investor approximately thirty (30) days before their note matures, by means that evidences delivery, at which time the investor shall have the opportunity to request repayment or notice us of an intention to renew the investment or use the proceeds to invest in another note. Renewal is not automatic, but may occur only upon affirmative action of the investor. If the investor does not indicate an intention to renew or redeem the note, the proceeds of the note will be treated and will earn interest as if they are invested upon maturity in a flexible demand note. Any renewal or reinvestment can only be made if there is an effective exemption in Kentucky at the time of renewal or reinvestment.

Louisiana: THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES. The Demand Notes and the Flexible Demand Plus Notes are not being offered and cannot be sold in Louisiana.

Michigan Residents: THESE SECURITIES ARE OFFERED PURSUANT TO A REGISTRATION ORDER ISSUED BY THE STATE OF MICHIGAN. THE STATE OF MICHIGAN DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE TRUTH, MERITS, OR COMPLETENESS OF ANY PROSPECTUS OR ANY OTHER INFORMATION FILED WITH THIS STATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Missouri Residents: The Notes have not been registered under the Missouri Uniform Securities Act of 2003 because they are exempt from registration by Section 409.2-201(7)(B), RSMo Cum. Supp. 2003. In making an investment decision, you must rely on your own examination of our organization and the terms of the offering, including the merits and risks involved. The Notes have not been recommended by any federal or states securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this Offering Circular. It is illegal for anyone to tell you otherwise.

New York Residents: The Attorney General for the State of New York has not passed on or endorsed the merits of this offering. Any representation to the contrary is unlawful.

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

Oregon Residents: Automatic reinvestment upon maturity of a Note, as provided in this offering circular (see “Terms” on page 20 under the heading entitled, “Description of the Notes”), is available to Oregon residents only under limited circumstances. Thirty (30) days prior to the maturity of your original investment (the “Original Investment”), we will deliver a maturity notice and current offering circular to you. If you decide not to reinvest, prior to the maturity of your Original Investment, you must send us a written notice along with your Note. We will then redeem your funds. If you do not submit a written request, we may, at our discretion, reinvest the proceeds into a comparable Investment (the “New Note”) that has a three (3) month maturity. The interest rate on the New Note may be different from the interest rate on the Original Investment. As of the date of this Offering Circular, we have registered \$1,000,000 of Notes for offer and sale in Oregon pursuant to registration.

Pennsylvania Residents: EVERY PENNSYLVANIA PURCHASER OF THE NOTES HAS THE RIGHT TO WITHDRAW FROM THE PURCHASE AS PROVIDED BY SECTION 207(M) OF THE PENNSYLVANIA SECURITIES ACT OF 1972. IF YOU ACCEPT AN OFFER TO PURCHASE THE NOTES, YOU MAY ELECT WITHIN TWO BUSINESS DAYS AFTER THE FIRST TIME YOU RECEIVE THIS OFFERING CIRCULAR TO WITHDRAW FROM YOUR PURCHASE AND RECEIVE A FULL REFUND OF ALL MONIES PAID BY YOU. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A LETTER, TELEGRAM OR FACSIMILE TRANSMISSION TO US INDICATING YOUR INTENTION TO WITHDRAW. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE SECOND BUSINESS DAY MENTIONED ABOVE. IF YOU ARE SENDING A LETTER, IT IS PRUDENT TO SEND IT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME IT WAS MAILED. SHOULD YOU MAKE THE REQUEST ORALLY, YOU SHOULD ASK FOR WRITTEN CONFIRMATION THAT YOUR REQUEST HAS BEEN RECEIVED.

The By-Laws of the Cornerstone Fund provide for certain indemnification of its officers and directors. It is the position of the Pennsylvania Department of Banking and Securities that indemnification in connection with violations of securities laws is against public policy and void.

A registration statement in connection with this offering has been filed in the offices of the Pennsylvania Department of Banking and Securities, Corporation Finance Office, 17 N 2nd St., Suite 1300, Harrisburg, Pennsylvania, 17101. The registration statement contains information and documents not included in this Offering Circular. The documents and additional information are available for your inspection at the Harrisburg, Pennsylvania offices of the Department during normal business hours which are Monday through Friday, 8:30 a.m. to 5:00 p.m., Telephone number: (717) 787-8059.

South Carolina Residents: We are not offering and cannot sell our Demand Notes and Flexible Demand Plus Notes to residents of South Carolina. If we do not pay principal or interest on your Note for a period of 90 days from the date of lawful demand by you, other than by clerical error or administrative oversight, it will be an event of default, unless you waive the default or we lawfully contest the payment. A default on your Note will constitute a default on all of our Notes of the same class issued to other South Carolina Investors under this Offering Circular. Upon default, South Carolina Investors shall have the right to obtain the names and addresses of all South Carolina Investors of Notes in default and by a vote of 25% of these Investors, to declare all defaulted Notes in South Carolina due and payable in full.

South Dakota Residents: THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SDCL 47-31B-201(7)(B) OF THE SOUTH DAKOTA SECURITIES ACT. NEITHER THE SOUTH DAKOTA DIVISION OF INSURANCE (DIVISION) NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE ISSUER’S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST.

Tennessee Residents: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE

MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

Washington Residents: In Washington, these securities are offered or sold only (i) to persons who, prior to their solicitation for the purchase of the securities, were members of, or contributors to, or listed as participants in, Cornerstone Fund, or their relatives, (ii) to institutional investors, (iii) to existing security holders or (iv) pursuant to other applicable exemption under RCW 21.20.310 or 21.20.320.

“Relatives” include a member’s spouse and the following relatives of the member or the member’s spouse: parents, grandparents, natural or adopted children, aunts and uncles and first cousins.

“Institutional investor” includes a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity. “Institutional investor” also includes (a) a corporation, business trust, or partnership, or wholly owned subsidiary of such an entity, which has been operating for at least 12 months and which has a net worth on a consolidated basis of at least \$10 million as determined by the entity’s most recent audited financial statements, such statements to be dated within 16 months of the sale of the securities; (b) any tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code of 1986 which has a total endowment or trust funds of \$5 million or more according to its most recent audited financial statements, such statements to be dated within 16 months of the sale of the securities; and (c) any wholly-owned subsidiary of a bank, savings institution, insurance company, or investment company as defined by the Investment Company Act of 1940. “Institutional investor” does not include a natural person, individual retirement account (IRA), Keogh account, or other self-directed pension plan.

RECEIPT OF NOTICE OF EXEMPTION BY THE WASHINGTON ADMINISTRATOR OF SECURITIES DOES NOT SIGNIFY THAT THE ADMINISTRATOR OF SECURITIES HAS APPROVED OR RECOMMENDED THESE SECURITIES, NOR THAT THE ADMINISTRATOR HAS PASSED UPON THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

STATE SPECIFIC INFORMATION	ii
SUMMARY OF THE OFFERING	1
RISK FACTORS	3
FORWARD LOOKING STATEMENTS	7
INTRODUCTION	8
HISTORY AND OPERATIONS	8
RELATED PARTY TRANSACTIONS	9
USE OF PROCEEDS	9
THE CORNERSTONE FUND'S LENDING ACTIVITIES	10
FINANCING THE CORNERSTONE FUND'S ACTIVITIES	13
SUMMARY OF OPERATIONS AND SELECTED FINANCIAL INFORMATION	17
MANAGEMENT DISCUSSION AND ANALYSIS	18
TAX ASPECTS	19
DESCRIPTION OF THE NOTES	20
MANAGEMENT	24
LITIGATION	29
ADMINISTRATIVE MATTERS	29
INDEPENDENT AUDITORS	30
INTERNAL CONTROLS	30
DEFINITIONS	30

EXHIBITS

Exhibit A	Audited Financial Statements
Exhibit B	Applications to Purchase

SUMMARY OF THE OFFERING

We provide this summary for your convenience. Since it is only a summary, you must read it together with the more complete statements and information in this Offering Circular (“Offering Circular”), including the audited financial statements. Any person or entity investing or considering investing in the Cornerstone Fund is referred to as an “Investor” in this Offering Circular. See “Definitions” on page 30 for other terms used in this Offering Circular.

1. **Cornerstone Fund.** The Cornerstone Fund is an Indiana nonprofit corporation, with its principal offices located in Cleveland, Ohio. We are identified through our common religious faith with the United Church of Christ denomination. See “INTRODUCTION” and “HISTORY AND OPERATIONS.”

2. **Description of Notes.** We are offering unsecured debt securities in the form of Flexible Demand Notes and Flexible Demand Plus Notes (“Demand Notes”) and 3 Month to 60 Month, and 60 Month Notes with Giving Bonus (“Term Notes”), and together with the Demand Notes (the “Notes”). The present terms and minimum investment available at any particular time are shown in the Application to Purchase. Available interest rates and minimum investments are shown on the Rate Sheet that accompanies the Application to Purchase. Demand Notes have an adjustable interest rate, adjustable quarterly, with 15 days prior notice to you if the rates are being decreased. On the Term Notes, interest rates will vary depending upon the term of investment. We compound interest semiannually and retain and credit it to your account unless you elect to receive interest payments. At maturity, we automatically renew Term Notes for additional terms equal to the original terms (or for the closest terms being offered at the time), unless, prior to the original or any renewal term, you send us the Note along with a written request for payment. We will send you Notice of Maturity at least 30 days prior to maturity of each Term Note. You will receive a copy of the latest Offering Circular at that time, unless you already have received one. In the case of automatic extension of existing Notes upon maturity, the new extension interest rate may be less than the interest rate on the original Term Note. Generally, you cannot redeem your Term Notes prior to maturity. When early redemption is allowed, normally there is an early redemption penalty. We also offer our Demand Notes and Term Notes as investments for Individual Retirement Accounts. See “DESCRIPTION OF THE NOTES – IRA Investments.”

3. **Risk Factors.** Your purchase of our Notes is subject to certain described risks. See “RISK FACTORS,” which you are urged to read carefully.

4. **Use of Proceeds.** We add the proceeds of the sale of our Notes to our general funds. We primarily use the proceeds to make loans to Church Organizations (as defined herein) to finance capital improvement projects. We may also use proceeds to pay interest on outstanding Notes, repay outstanding Notes as they mature or are redeemed, and cover our overall operating expenses. No underwriters or independent selling agents are participating in this offering and we pay no underwriting discounts or commissions in connection with the sale of the Notes. See “USE OF PROCEEDS.”

5. **Management.** We are managed by our 15-member board of directors (“Board of Directors”) that meets regularly two times a year. The followings executive officers are responsible for our day-to-day operations:

Maria C. Coyne, President and Chief Executive Officer
Jeanine Heasley-Colozza, Vice President and Chief Lending Officer
Kathy L. Houston, Vice President, Chief Financial Officer/Chief Operating Officer
V. Brian Magnone, Secretary
Daniel D. Dubree, Treasurer
Thomas E. Dipko, Assistant Treasurer
See “MANAGEMENT.”

6. **Financing the Cornerstone Fund’s Activities.** Our primary sources of funds are principal and interest payments received on our loans to Church Organizations, interest earned on our Invested Funds (as defined herein) and cash receipts from the sale of our Notes. See “FINANCING THE CORNERSTONE FUND’S ACTIVITIES.”

7. **The Cornerstone Fund’s Lending Activities.** We use the proceeds from the sale of our Notes to make loans to Church Organizations. These loans generally are secured by first mortgages and are predominantly for the construction, repair or renovation of churches, parsonages and related facilities and to improve accessibility and the

refinancing of existing indebtedness. Normally, these loans have less stringent lending criteria than commercial lenders and are at or below prevailing commercial loan rates. We also make loans pursuant to our “Related Investment Plan,” whereby members of a local borrowing congregation invest in our Notes as investment support for the loan. Loans generally are either fixed rate or adjustable rate loans made with payments based on up to 30 year amortization. See “THE CORNERSTONE FUND’S LENDING ACTIVITIES.”

8. **The Purchase of Notes.** To purchase one or more of the Notes, you should complete and sign the Application to Purchase and send it to us along with your payment. For information concerning present terms and interest rates available, you may call us at 888-822-3863 or visit our website at www.cornerstonefund.org. Information contained in or that can be accessed through our website is not a part of this Offering Circular.

9. **Selected Financial Information.** The following summarizes selected financial information for the fiscal year ending December 31, 2019.

	<u>As of December 31, 2019</u>
Cash and Invested Funds	\$17,866,408
Total Outstanding Loans *	\$94,712,250
Unsecured Loans – Amount	\$108,091
Unsecured Loans – % of Total Loans	0.11%
Loan Delinquencies** – % of Total Loans	0%
Total Assets	\$113,601,736
Outstanding Line of Credit	\$2,500,000
Church Construction Funds on Deposit	\$5,532,811
Outstanding Notes Payable	\$94,035,843
Total Liabilities	\$102,211,384
Notes Redeemed During Year	\$57,154,731
Net Assets Without Donor Restrictions	\$10,584,469
Net Assets With Donor Restrictions	\$805,883
	<u>Year Ended</u>
	<u>December 31, 2019</u>
Revenues, including net appreciation of investments	\$4,736,828
Expenses	\$4,129,848
Increase in Net Assets Without Donor Restrictions	\$584,264
Increase in Net Assets With Donor Restrictions	\$22,716

* Balance of loans outstanding, net of participation

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

See “SUMMARY OF OPERATIONS AND SELECTED FINANCIAL INFORMATION” and “FINANCIAL STATEMENTS.”

RISK FACTORS

- Notes are Unsecured Obligations.** The Notes are unsecured obligations of the Cornerstone Fund. You must depend solely upon our financial condition and operations for principal repayments and interest payments on the Notes. We believe that we have taken all necessary legal steps to ensure that our debts and liabilities are independent of the financial structure of the United Church of Christ or any Church Organizations; thus, those other entities will have no legal obligations to repay the principal or interest on the Notes. Neither the United Church of Christ nor any Church Organization has guaranteed the Notes or any loans we have made. Our Notes are not certificates of deposit or deposit accounts with a bank, savings and loan association, credit union or other financial institution regulated by federal or state authorities. Our Notes are not insured by FDIC or SIPC or any other government agency. Risks of investment in the Notes may be greater than implied by relatively low interest rates on the Notes.
- Market Risk.** The Notes are subject to investment risks, including possible loss of the entire principal amount invested.
- Limit on Senior or Secured Debt.** We have a \$6,000,000 revolving line of credit secured by essentially all assets of Cornerstone Fund. As of December 31, 2019, we had \$2,500,000 borrowed under this line of credit. All of the Notes and anticipated future offerings of Notes will be of equal rank with all of our other Notes. It is our policy that any senior or secured indebtedness will not exceed 10% of our tangible assets as of the date of issuance or incurrence of the obligation. Any senior or secured indebtedness would rank senior to the Notes to the extent collateral is pledged to secure it.
- No Sinking Fund or Trust Indenture.** We have not established any sinking fund or trust indenture to provide for repayment of the Notes. No trustee monitors our affairs on your behalf, no agreement provides for joint action by investors in the event we default on the Notes and you do not have the other protections a trust indenture would provide. The lack of a sinking fund or trust indenture may adversely affect our ability to repay the principal and interest on the Notes when due.
- Liability for Claims Against the United Church of Christ or Church Organizations.** We should not be liable for claims made against the United Church of Christ or Church Organizations. Although we believe that we have taken all necessary legal steps to establish the Cornerstone Fund as a separate legal entity apart from the United Church of Christ or any Church Organization, it is possible that in the event of claims against the United Church of Christ or any Church Organization, the claimants might contend that we are also liable. Such claims, if upheld by the courts, could negatively affect our financial condition and ability to repay Notes.
- No Market Exists and Transferability is Limited and Restricted.** There is no market for the Notes and it is highly unlikely that a market will develop. The Notes are not transferable without our consent. In addition, conditions on transfer of the Notes may be imposed under the securities laws of certain states. Therefore, you should view the purchase of a Note as an investment for its full term.
- No Right to Redeem Prior to Maturity.** We are not legally obligated to redeem your Note prior to its maturity. When early redemption is allowed, normally there is a penalty. Furthermore, ability to redeem your Term Note is subject to the availability of funds. See “DESCRIPTION OF THE NOTES – Early Redemption and Penalty” on page 21.
- Redemption of Notes.** We have the right to redeem (i.e., prepay) any outstanding Note or Investment Balance (as defined herein) prior to the expiration of its term with your consent. There can be no assurance that you will be able to reinvest your redemption proceeds in other securities having terms (and associated risks) as favorable as the redeemed Notes, which may result in a decline of income for you.
- Invested Funds Subject to Risks.** Our invested assets are subject to various market risks which may result in losses if the market values of our investments decline and could have an adverse impact upon our liquidity and our ability to repay our Notes.

10. **Invested Funds-Specific Risks:**

Certificate of Deposit Risk. Certificates of Deposit are subject to the risk that the value of the investment may be eroded over time by inflation.

Money Market Risk. Although a money market fund is designed to be a relatively low risk investment, it is not free of risk. Despite the short maturities and high credit quality of a money market fund's investments, increases in interest rates and deteriorations in the credit quality of the instruments the money market fund has purchased may reduce the money market fund's yield and can cause the price of a money market security to decrease. In addition, a money market fund is subject to the risk that the value of an investment may be eroded over time by inflation.

Debt Securities Risk. The issuers of debt instruments in which we may invest may default on their obligations to pay principal or interest when due. This non-payment would result in a reduction of income to us, a reduction in the value of a debt instrument experiencing nonpayment and, potentially, a decrease in our profitability and our ability to pay interest and principal due on Notes. To the extent that the credit rating assigned to a security in our investment portfolio is downgraded, the market price and liquidity of that security may be adversely affected. When market interest rates rise, the market value of debt instruments generally will fall.

Loan Participation Risk. We may purchase a participation interest in a loan and thus acquire some or all of the interest of a bank or other lending institution in a loan to a borrower. Generally, a participation interest will result in our having a contractual relationship only with the lender, not the borrower. As a result, we would assume the credit risk of the lender selling the participation in addition to the credit risk of the borrower. By purchasing a participation interest, we would typically have the right to receive payments of principal, interest, and any fees owed on the loan only from the lender selling the participation and only upon receipt by the lender of the payments from the borrower. In the event of insolvency or bankruptcy of the lender selling the participation, we may be treated as a general creditor of the lender and may not have a senior claim to the lender's interest in the loan. If we acquire only a participation in the loan made by a third party, we may not be able to control the exercise of any remedies that the lender would have under the loan. Such third party participation arrangements are typically designed to give loan investors preferential treatment over high yield investors in the event of a deterioration in the credit quality of the borrower. Even when these arrangements exist, however, there can be no assurance that the principal and interest owed on the loan will be repaid in full.

11. **Term Notes Automatically Renewed.** We automatically renew Term Notes at maturity (except for investors in certain states as noted above) for an additional like term unless within 10 days after the end of the term, you send the Term Note and a written request for payment to our office. We will send you a notice of maturity, however, 30 days prior to the maturity date. You will receive a copy of the latest Offering Circular at that time, unless you already have received one. In the case of automatic extension of existing Term Notes upon maturity, the new extension interest rate may be less than the interest rate on the original Note. The new interest rate will be the applicable interest rate for the term of the Term Note being extended at the time of the extension.

12. **Importance of Substantial Number of Notes Being Extended or Reinvested at Maturity.** A substantial portion of our outstanding Notes will mature in one year or less. For the last three years, however, an average of approximately 92% of our maturing Notes have been extended or reinvested in other Notes. If demands for repayment upon maturity of our outstanding Notes exceed prior experience or if the availability of funds from sources other than operating income is reduced, it may have an adverse effect on our financial condition and our ability to repay maturing Notes. If prevailing interest rates rise significantly, demands for repayment at maturity may exceed historical averages. Interest rates have been in a rising environment. In 2020, \$48,325,839 of Term Notes will mature. In addition, as of December 31, 2019, there were \$5,260,442 of Demand Notes that could be called for redemption during 2020.

13. **Competition with Other Institutions.** Other institutions may offer notes or other securities with a higher rate of return and/or notes or other securities that provide greater security and less risk than our Notes. Our Notes are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or private insurance company. Also, in many instances, we compete with commercial lenders with respect to loans to churches.

14. **Changes in Securities Laws, Practices and Procedures – Sales of Notes could be Curtailed.** Changes in federal and state laws, regulations, practices and procedures regarding the sale of debt securities of religious, charitable or other nonprofit organizations may make it more difficult and costly for us to offer and sell our Notes in the future. If this occurs, it could result in a decrease in the amount of Notes sold by us which could affect our ability to meet our obligations. If we do not continue to qualify our Notes in any particular state, you, along with other Investors in that state, may not be able to reinvest at maturity. Further, while we strive to comply with all applicable laws, if we find that we have not done so in all cases, it is possible that we may be subject to future regulatory actions, which could include fines, orders or the institution of repurchase offers.

15. **Tax Consideration.** Interest paid or payable on the Notes will be taxable as ordinary income imputed to you regardless of whether interest is paid or compounded, unless you purchased the Notes through an Individual Retirement Account (“IRA”) or other tax deferred account. Additionally, there is always a risk that changes may be made in the tax laws, which changes could have an adverse effect on your ownership of Notes. (See “Tax Aspects” at page 19 for a more detailed discussion).

16. **Loans to Church Organizations.** Our loans are made primarily to Church Organizations, including local churches. The ability of local churches to repay their loans will depend primarily upon the number of members or other participants and the contributions the churches receive, both of which may fluctuate for any number of reasons, including but not limited to the strength of the economy, the economic conditions of major employers and population shifts in the region where the Church Organization is located. Loans are not personally guaranteed by Church Organization members. There is no readily available market for the loans we make, and therefore it is unlikely we would be able to resell our loans if we need additional liquidity. In addition, a declining commercial real estate market could depress the value of our loan collateral or delay or limit our ability to dispose of the loan collateral and increase the possibility of a loss following a foreclosure. Furthermore, real property values may decline due to general and local economic conditions, increases in operating expenses, changes in zoning laws, casualty or condemnation losses, regulatory limitations on rents, changes in neighborhoods and in demographics, increases in market interest rates, or other factors. Factors such as these may adversely affect the value of property financed. Furthermore, church property which serves as collateral for a loan is a “special purpose” property, which may have a more limited number of prospective purchasers than other commercial properties. Therefore, if the property needs to be sold to satisfy a loan in default, the proceeds may not necessarily be sufficient to satisfy the full amount of the loan. In addition, with respect to real property secured loans, although we require normal lender protections, such as title insurance or an opinion of counsel as to the validity of title and adequate fire and extended coverage insurance naming us as mortgagee, we do not normally obtain independent appraisals as to the value of real property securing the loans we make.

17. **Lending Criteria and Enforcement Are More Lenient.** Our lending criteria used in determining whether a loan should be made to a church borrower may be more lenient than the criteria used by commercial lenders. Further, in view of the relationship we have with our borrowers, we have been willing, in certain instances in the past, to accommodate late payments to an extent greater than a commercial lender may be willing to do. We may continue to do so in the future. Thus, many of our loans involve a higher risk of loss than loans made by commercial lenders.

18. **Our loans are geographically concentrated.** Although we have no geographic restrictions on where loans are made, the five states with the greatest concentration of loans, as of December 31, 2019, were as follows:

<u>State</u>	<u>Number of Borrowers</u>	<u>Principal Outstanding</u>	<u>Percent of Loan Portfolio</u>
Illinois	14	\$20,976,568	22.15%
California	28	11,968,197	12.64%
Texas	5	6,123,284	6.47%
Florida	12	5,569,755	5.88%
Washington DC	7	5,514,170	5.82%
Total	<u>66</u>	<u>\$50,151,974</u>	<u>52.95%</u>

The concentration of loans in one or more states or regions increases the risk that adverse economic conditions in those areas could adversely affect collections on loans in that area, which could adversely affect our ability to repay the Notes.

19. **Loan Delinquencies.** At December 31, 2019, we had no loans that were delinquent for over 90 days. No loans were charged off during the years 2019, 2018 and 2017. The allowance for loan losses was \$0 as of December 31, 2019.

20. **Creditor Remedies.** Our remedies as a creditor upon default by any of our borrowers will be subject to various laws, regulations and legal principles that provide protections to borrowers. Our legal and contractual remedies, including those specified in our loan agreements and collateral documents, typically require judicial actions, which are often subject to discretion and delay. Under existing laws (including, without limitation, the Federal Bankruptcy Code), the remedies specified by our loan agreements and collateral documents may not be readily available or may be limited. A court may refuse to order the specific performance of the covenants contained in the loan agreements and collateral documents. In addition, the laws of a particular jurisdiction may change or make it impractical or impossible to enforce specific covenants in the loan agreements and collateral documents.

21. **Line of Credit.** We currently have a secured, revolving line of credit in the amount of \$6,000,000 with Peoples Bank. The extent to which this line of credit becomes unavailable or substantially decreased may have an adverse effect on our ability to make loans as timely as desirable or to make timely payments of principal and interest on our Notes. As of December 31, 2019, we had borrowed \$2,500,000 under our line of credit.

22. **No Loan Loss Reserve.** Based on the historical performance of our loan portfolio, the fact that no loans have been charged off since we began operations in 1993, and management's review of the current loan portfolio, as of December 31, 2019, we did not maintain any loan loss reserve.

23. **Dependence on Funds Received for Repayment.** We rely upon the principal and interest received on our outstanding loans, as well as interest earned on our Invested Funds to fund the repayment of principal and payment of interest on our Notes. Depending on our cash flow at any particular time, we may have to use funds received from the sale of new Notes and our lines of credit to pay such principal and interest on our Notes, which may have an effect on our ability to maintain a positive financial position. In addition, if we have insufficient liquid assets to repay your Note when payment is due, you will not be repaid unless and until we have sufficient cash to do so.

24. **Environmental Risks.** There is potential environmental liability associated with the loans we make. We do not typically conduct an environmental audit before approving a loan. If environmental pollution or other contamination is found on or near property securing a loan, our security for the loan could be impaired. If we are deemed to have participated in management of the property at issue, fail to conduct all appropriate inquiry prior to a foreclosure, or do not fall within certain statutory safe harbors following a foreclosure, we could be subject to lender liability for these same things. In addition, changes in environmental regulations could require the borrower to incur substantial unexpected expenses to comply with such regulations, and this could impair both the value of the collateral and the borrower's ability to repay us and thereby our ability to repay our Notes.

25. **Construction Loan Risks.** Some of our borrowers will be subject to risks associated with construction and may use our loans to construct new facilities or to improve existing facilities. If any of the following risks related to construction and improvement occur, it could have a material adverse effect on a borrower's ability to repay its loan by increasing construction costs or delaying or preventing completion of a project and would adversely affect our ability to repay the Notes: the borrower and its contractor may not sign a fixed-price construction contract; completion may be delayed due to, among other things, shortages of materials, strikes, acts of nature, delays in obtaining necessary building permits or architectural certificates, environmental regulations, or fuel or energy shortages; effects of economic slowdowns; service interruptions; or legal challenges due to environmental or operational or other mishaps; or the contractor may not post a completion bond.

26. **No Firm Underwriting Commitment for This Offering.** We are offering the Notes directly and without a firm underwriting commitment. No assurance can be given as to the principal amount of Notes that will be sold and whether the proceeds will be sufficient to accomplish the purposes of the offering.

27. **Dependence upon Technology and Related Services.** The majority of our business records are stored and processed electronically, including records of our loans receivable, Notes payable, and most other business records. We rely to a certain extent upon third party vendors for providing hardware, software, and services for processing, storing and delivering information. Our electronic records include confidential customer information and proprietary

information of our organization. Electronic processing, storage and delivery has inherent risks such as the potential for hardware failure, virus or malware infection, input or programming errors, inability to access data when needed, permanent loss of data, unauthorized access to data or theft of data. While we and our vendors take measures to protect against these risks, it is possible that these measures will not be 100% effective and that there may be other risks, that have not been identified because they are different or unknown, that may emerge in the future. If we were to experience large scale data inaccuracy, inability to access data for an extended time period, permanent loss of data, data breach, failure of our vendors to perform as contracted, or other significant issues regarding data it could adversely affect all aspects of our operations. In addition, if you elect to use our website and related online services, electronic delivery services, or similar mobile services that may be offered in the future, we can offer no assurances and make no warranty as to their accuracy and availability, and such use is subject to the terms, conditions and limitations set forth in applicable usage agreements.

28. **Current Economic Volatility.** Given the volatility of current economic conditions, the values of our assets and liabilities could change, resulting in future adjustments in asset values, the allowance for loan losses, or net assets.

29. **Economic Slowdown Risk.** During a period of economic slowdown or recession, our borrowers may experience increased difficulty in making timely payments of principal and interest on our loans, particularly if the period is prolonged. This could result in a need to restructure some loans to provide more flexible payment terms to our borrowers or to rely upon the collateral for repayment, which may not be sufficient to satisfy all amounts owed. This could also result in a need to provide for loan losses, which would negatively impact our profitability.

30. **Interest Rate Risk.** In general, interest rates are subject to significant fluctuations depending upon various economic and market factors over which we have no control and which could affect our ability to repay the Notes. Interest rate fluctuations will adversely affect our profitability if we are unable to maintain a sufficient spread between the interest rates we pay on our Notes and borrowed funds and the interest rates we receive on our outstanding loans and investments. In particular, rapid changes in interest rates can significantly and adversely affect our profitability. Generally, interest rates have been in a rising environment.

31. **Right to Change our Policies and Procedures.** At various points in this Offering Circular we describe our policies, such as our loan guideline or investment policies. These descriptions are intended to help you understand our current operations. We have had different policies in the past and we may change our policies in the future. If we change our policies or procedures, including our loan guidelines or investment policies, there may be an adverse impact on our ability to repay your Note.

32. **The outbreak of the novel coronavirus, COVID-19, could adversely impact our activities, financial condition, results of operations and/or cash flows.** The outbreak of the novel coronavirus, COVID-19, is significantly disrupting societal norms, the economy and financial markets in the United States and globally. While the rapid development and fluidity of this situation precludes any prediction as to its ultimate adverse impact, the coronavirus outbreak represents a material uncertainty and risk with respect to our activities, financial condition, results of operations and/or cash flows. The effects of COVID-19 could, among other risks, result in a material increase in requests for payment extensions from our borrowers, have a material adverse impact on the financial condition of our borrowers, making it more difficult for our borrowers to repay loans, result in a decreased demand for new loans, negatively impact our ability to access capital on attractive terms or at all, and/or lead to a decrease in our liquidity. These effects could have a material adverse impact on our business, financial condition, results of operations and/or cash flows, which could negatively affect our ability to meet our payment obligations under the Notes.

FORWARD LOOKING STATEMENTS

This Offering Circular contains forward-looking statements about our plans, strategies, objectives, goals, and expectations. These forward-looking statements are identifiable by words or phrases indicating that we “expect,” “anticipate,” “project,” “plan,” “believe,” or “intend” that a particular event may or will occur in the future or similarly stated expectations. These forward-looking statements are subject to many factors, including the risk factors above, which could cause actual results to differ materially from the stated expectations. We undertake no obligation to update or revise any forward-looking statements to reflect developments or information obtained after the date of this Offering Circular.

INTRODUCTION

General

The Cornerstone Fund is an Indiana nonprofit corporation, incorporated on September 22, 1993. We are affiliated structurally with the United Church of Christ through a common religious purpose. The local churches, Associations, Conferences, national organizations, colleges and seminaries or other affiliated organizations of the United Church of Christ are sometimes hereinafter collectively referred to as “Church Organizations.” Our executive offices are located at 700 Prospect Avenue, Cleveland, Ohio 44115-1100.

Purpose of the Cornerstone Fund

Local Church Ministries (a Covenanted Ministry of the United Church of Christ) (“Local Church Ministries”) and its predecessor organizations historically have been the principal organizations responsible for the church extension functions of the United Church of Christ. In furtherance of this purpose, the Cornerstone Fund was incorporated. It has instituted a program of selling Notes, the proceeds of which are used primarily for loans to Church Organizations to finance their capital improvement projects, including church buildings and related structures.

Nationwide Offerings

We anticipate that during 2020 we will offer and sell our Notes to Investors in a number of states, and we may offer and sell our Notes in additional states in the future as part of a continuous offering process. The total amount of \$150,000,000 in Notes to be sold in this offering is not a limitation on the amount of Notes we may sell in this and other offerings we may conduct at any time. Our Notes are unsecured obligations having the same priority to our assets as all our outstanding Notes.

The maturity terms, interest rates and minimum investments for the Notes we currently are offering are set forth in the “Application to Purchase” and “Rate Sheet” which accompany this Offering Circular. At our option, we may not make some of our Notes available for purchase from time to time. The terms of the Notes offered in the various states may vary slightly from time to time. See “DESCRIPTION OF THE NOTES.”

HISTORY AND OPERATIONS

United Church of Christ

The United Church of Christ stems from four historic religious denominations: the Congregational Churches, the Christian Church, the German Reformed Churches and the Evangelical Synod. The United Church of Christ is a volitional association of its members, operating on a principle of decentralized administration. In 2013, the United Church of Christ’s current structure was implemented. This structure creates three distinct operating settings for the activities of the United Church of Christ: congregational, conference and national. These operating settings, however, create no authoritarian structure. The United Church of Christ has no central body to administer the operations of all three settings, and the operating entities in each setting are bound through their common religious beliefs and objectives.

In the congregational setting, the United Church of Christ has local churches throughout the United States, most of which are not-for-profit corporations. In most cases, these local churches form groups, known as Associations, to work and minister together. These Associations grant or certify the standing of churches and ministers.

In the conference setting, the United Church of Christ is composed of 36 Conferences in total: 35 geographic Conferences, many of which encompass a single state, and one (1) ethnic non-geographic Conference. Each of the Conferences is a separate, not-for-profit corporation. Generally, the purpose of the Conferences is to develop new local churches, help find suitable pastors and aid pastors and local churches.

In the national setting, the United Church of Christ’s main legislative body is the General Synod, a representative body of the United Church of Christ that meets every two years. All members of the United Church of Christ may

attend such meetings and discuss the issues presented, but only the voting delegates elected by the 36 conferences and the directors of the United Church of Christ Board elected by the delegates to the General Synod may vote upon the issues presented. The General Synod generally receives reports on the work of the denomination and considers issues concerning the denomination and its religious purposes and objectives.

The elected General Minister and President is the spiritual leader and pastor, the Minister of the United Church of Christ and the presiding administrative officer of the General Synod and its United Church of Christ Board. The United Church of Christ Board meets twice a year and acts on behalf of the General Synod between its biennial meetings.

Cornerstone Fund

The Cornerstone Fund was incorporated in Indiana on September 22, 1993, primarily to continue the activities of a portion of the Church Building Revolving Loan Fund. We are presently exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and are organized and operated exclusively for religious, educational, benevolent and charitable purposes. No part of our net earnings inures to the benefit of any person or individual. As a nonprofit corporation, we do not have any shareholders.

Missouri Mid-South Conference Revolving Loan Fund

During 2017, the Fund received a contribution from a foundation of \$58,038 in cash, investments amounting to \$285,635, and loans receivable amounting to \$447,557. The entire contribution was restricted to establish a revolving loan fund for the benefit of churches in the Missouri Mid-South Conference. Interest income earned on the loans is accumulated in the fund to distribute under future loans. As of December 31, 2019, loans outstanding under this program were \$508,845 and cash and investment balances were \$297,038. In accordance with the foundation's memorandum of gift, in the event of the judicial appointment of a receiver for Cornerstone, its bankruptcy or other involuntary or voluntary dissolution, the remaining assets of the revolving loan fund shall be transferred in their entirety to the Missouri Mid-South Conference of the United Church of Christ.

Property and Equipment

We own no real estate or real estate improvements. We own a portion of our office furniture and other equipment.

RELATED PARTY TRANSACTIONS

Over the past three years, we have made loans to many Church Organizations. Some of these loans may have been made to churches whose members, officers or clergy included persons who at the time were our officers or directors or officers or directors of Local Church Ministries. In all instances, we made these loans, if any, under the same terms and at the prevailing interest rate we charge to our other borrowers.

We paid personnel expenses of \$1,133,107, common services fees of \$134,378 and office space expense of \$75,028 in 2019 to service organizations related to the United Church of Christ. In addition, directors and employees of the Cornerstone Fund own Notes totaling \$207,748. See Notes to the Financial Statements, Note 9, as to details of these transactions with related parties.

USE OF PROCEEDS

We add the proceeds received from the sale of the Notes to our general funds, and the proceeds are primarily used to make loans to Church Organizations to finance capital improvement projects, including the construction of new church facilities and the remodeling of existing church facilities throughout the United States and American Samoa. See "HISTORY AND OPERATIONS." We may also use proceeds to pay interest on outstanding Notes, repay outstanding Notes as they mature or are redeemed, and cover our overall operating expenses. During the year ended December 31, 2019, we advanced \$34,673,877 in loan funds. However, in the normal course of our operations, we are continuously making loan commitments based upon the availability of funds. We have not, in advance, committed all or any portion of the proceeds of this offering for any specific loans. At December 31, 2019, we had

loan commitments or unfunded portions of existing loans totaling \$13,594,732, as to which monies probably will be advanced during 2020. We also have had many indications of additional interest in loans from various Church Organizations and we anticipate that a significant number of additional loan commitments will be issued in 2020 as the proceeds of the sale of our Notes are received.

No underwriters or brokers are participating in this offering and we pay no underwriting discounts or sales commissions in connection with the sale of the Notes. Sales of the Notes will be effected solely through certain of our officers and employees. We will pay all expenses of this offering from the proceeds of the offering, including printing, mailing, attorneys' fees, accountants' fees, and securities registration fees which are estimated to be \$130,000 annually.

We cannot assure you that the proceeds from the sale of our Notes will be used for capital improvement projects in your state or any other area of the United States, except to the extent that Investors participate in our Related Investment Plan. See "DESCRIPTION OF THE NOTES" and "THE CORNERSTONE FUND'S LENDING ACTIVITIES – Loan Policies."

THE CORNERSTONE FUND'S LENDING ACTIVITIES

General

We use the proceeds from the sale of Notes primarily to make loans to Church Organizations. We generally make first mortgage secured loans at interest rates generally equivalent to or slightly lower than prevailing commercial rates. As of December 31, 2019, the average of all loans with outstanding balances is approximately \$401,323. These secured, interest-bearing loans are made predominantly for the construction of churches, parsonages and related facilities and the refinancing of such obligations. In a few instances, some loans may be secured by a Church Organization's personal property.

At December 31, 2019, the aggregate principal balance of interest-bearing, secured loans, net of participations was \$94,712,250, earning a weighted average interest rate of 5.065%.

Of our loans at December 31, 2019, we had:

<u>Type of loan</u>	<u>Aggregate Net Principal Balance</u>	<u>Percentage of Total Loans</u>
Secured loans	\$94,604,159	99.89%
Unsecured loans	\$108,091	0.11%

We also make loans to Church Organizations pursuant to our Related Investment Plan. Under the Related Investment Plan, if a local church requests funds for a capital project, the church may earn cash back annually of up to 1%, depending upon the extent to which the members of or participants in the church purchase Notes. The terms and interest rates of these Notes will be negotiated. The negotiated terms and rates of the Notes sold under the Related Investment Plan may not be the same as Notes sold to other Investors.

Loan Policies

Amounts loaned, interest rates, availability of funds, payment schedules and other loan terms are determined at the time loan applications are approved by our officers, Finance & Loan Committee or Board of Directors, as applicable depending upon the loan amount, and are subject to change from time to time.

We are currently making interest-bearing loans at rates adjustable every one year, three years, five or ten years, with terms and payment amortization up to 30 years. We also offer a fixed rate five year term loan. At maturity or extended maturity, this type of loan is normally automatically extended for additional five year terms, unless we demand payment in full upon 60 days prior written notice to the borrower. We refinance or extend loans after maturity on the basis of our then prevailing rates and policies.

Other than our Unsecured Revolving Line of Credit loan and our Unsecured Bridge loan, we normally require a loan to value of 75% or less on church owned property, including property being purchased. We hold first mortgages or first trust deeds as security until the loan is repaid. On loans of \$1,000,000 or more, the Cornerstone Fund will require a loan to value of 75% or less on church owned property and, at the borrower's expense, a broker's price opinion or independent appraisal. Independent appraisals are required on loans of \$1,500,000 or more. The Cornerstone Fund does not otherwise obtain independent appraisals as to the value of real property securing the loans it makes. At closing, the borrower pays all closing costs, including recording fees and mortgage title insurance costs.

Pursuant to general guidelines, the amount of any loan, or the aggregate amount of all loans, net of participations, to any one borrower will not exceed 15% of the aggregate principal balance of all outstanding loans, net of participations, of the Cornerstone Fund as of the date of final loan approval, whichever is greater. Further, the amount of any loan, or the aggregate amount of all loans, to any one borrower will not exceed an amount that is equal to 75% of the fair market value of the security for the loan or loans, as of the date of final loan approval and pursuant to reasonable valuation standards determined by our Board of Directors from time to time. These guidelines may be exceeded from time to time provided such exceptions are approved by our Board of Directors. We generally have a minimum loan requirement of \$10,000.

We offer a Revolving Line of Credit loan with a maximum loan amount of \$100,000. These loans are secured by a first mortgage on all church property or a second mortgage if the Cornerstone Fund holds the first mortgage. The term of the line of credit is five years. The interest rate changes as the base index changes. The base index is the Wall Street Journal Prime Rate.

We offer an Unsecured Revolving Line of Credit loan with a maximum loan amount of \$50,000. The term of the line of credit is five years. The interest rate changes as the base index changes. The base index is the Wall Street Journal Prime Rate. The aggregate principal amount of all Unsecured Revolving Line of Credit loans is not to exceed 5% of the outstanding balance of all loans, net of participations, at the time the Unsecured Revolving Line of Credit loan is approved.

We offer a Bridge loan with a maximum loan amount of \$250,000. These loans are secured by a first mortgage on all church property or a second mortgage if the Cornerstone Fund holds the first mortgage. The term of the bridge loan is one year. The interest rate changes as the base index changes. The base index is the Wall Street Journal Prime Rate.

We also offer an Unsecured Bridge loan with a maximum loan amount of \$100,000. The term of the bridge loan is one year. The interest rate changes as the base index changes. The base index is the Wall Street Journal Prime Rate. The aggregate principal amount of all Unsecured Bridge loans is not to exceed 5% of the outstanding balance of all loans, net of participations, at the time the Unsecured Bridge loan is approved.

In addition, with respect to real property secured loans, we require normal lender protections, such as title insurance or an opinion of counsel as to the validity of title and adequate fire and extended coverage insurance naming us as mortgagee. The Cornerstone Fund generally makes personal contact with the leadership of the various church borrowers prior to issuing any commitment in order to discuss and accumulate pertinent information, including the church and its past and present membership contributions. We have adopted loan evaluation guidelines that include generally applied loan to value and debt service ratios in an effort to determine a prudent amount of indebtedness for the borrower and to realistically evaluate the congregation's ability to repay. Presently, the maximum loan amount is not to exceed 75% of the value of the security and the annualized debt service on the loan should not exceed 33% of the borrower's annual budget.

Interest rates are determined at the time of commitment and/or funding.

Single advance loans bear interest at the approved rate. If disbursement of the loan is not requested within 60 days of approval, these loans initially bear interest at the loan rate prevailing at the time funds are advanced. Multiple advance loans (construction loans) initially bear interest at the approved rate. If at least 10% of the amount committed is not disbursed within 60 days of loan approval, the initial interest rate is the interest rate prevailing at the time at least 10% is disbursed.

Our Board of Directors determines the loan policies that are subject to being changed at any time. Thus, we cannot assure you that the loan policies, amounts of loan funds available and interest rates offered will not be changed periodically.

Major Loans

At December 31, 2019, we had 236 loans outstanding having an aggregate principal balance, net of participations, of \$94,712,250, of which there were 21 loans with principal balances in excess of \$1,000,000. At December 31, 2019, we had 3 loan commitments which when fully funded will have principal balances in excess of \$1,000,000. Consistent with our stated policy, we normally will make no single loan or loan commitment, or aggregate amount of loans or loan commitments net of participations, to one borrower having a principal balance or anticipated principal greater than 15% of the aggregated principal balance, net of participations, of our outstanding loans.

Loan Loss Reserves

An allowance for loan loss reserves is recorded based upon management's review of the outstanding balances within and the historical performance of the loan portfolio. As of December 31, 2019, the allowance for loan losses was \$0. Historically, no loans have been charged off since we began operations in 1993. See Note 2.G. to the Financial Statements at the end of the Offering Circular. Historically, we have had loan delinquencies from time to time, and there can be no assurance that we will not have a loan loss in the future, which could adversely affect the change in unrestricted net assets.

Loan Delinquencies

For the last three years, we did not have any loans on which interest and/or principal payments were delinquent for ninety (90) days or more at December 31.

Due to the nature of the relationship with our borrowers, however, we are willing to make accommodations with borrowers whose payments are not current or to refinance their outstanding obligations. It is our policy to aid our borrowers to try to meet their obligations without foreclosure. Therefore, our delinquency experience cannot be compared to a commercial lender. We cannot assure you, however, that we will be able or willing to refinance, accommodate or restructure any delinquent loans in the future. We have had no material loan losses with respect to our outstanding loans incurred within the last three fiscal years.

Loan Processing

We receive requests for loans from Church Organizations, including local churches, clergy and administrative units of the United Church of Christ at our headquarters in Cleveland, Ohio. After consultation and a review of the planned project, we mail loan applications to prospective borrowers. After loan applications are properly filed, loan requests are approved and commitments issued by our officers, Finance & Loan Committee or Board of Directors, as applicable depending upon the loan amount, all of which are subject to ratification by our Board of Directors.

Church Construction Funds on Deposit

In connection with our construction loans, church borrowers will deposit funds for disbursement during the course of the construction project. Once the funds on deposit are fully disbursed, the church will begin drawing on the construction loan. In addition, we have entered into an agreement with MOLO Village CDC in Louisville, Kentucky to act as the disbursing agent for a construction project. It is expected this project will be completed and the funds fully disbursed by year-end 2020. As of December 31, 2019, the total church construction funds on deposit were \$5,532,811.

FINANCING THE CORNERSTONE FUND'S ACTIVITIES

General

Our ability to pay principal and interest on the Notes depends upon our financial condition and the funds available to us. Generally, the primary sources of our funds are the interest earned on our Invested Funds, principal payments and interest earned on our loans to Church Organizations and the proceeds from the sale of our Notes. The following describes our sources of funds and other financial information.

Sale of Notes

Outstanding Notes

The following describes our outstanding Notes at December 31, 2019:

<u>Description</u>	<u>Aggregate Number of Notes</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>	<u>Percentage of All Notes</u>
Demand Notes	334	.65%	\$5,260,442	5.60%
Term Notes	<u>3,773</u>	<u>2.54%</u>	<u>88,775,401</u>	<u>94.40%</u>
TOTALS	<u>4,107</u>	<u>2.49%</u>	<u>\$94,035,843</u>	<u>100.00%</u>

At December 31, 2019, our total outstanding Notes represented 92.0% of our total liabilities. We anticipate that sales of notes will increase during 2020 and thereafter, and our primary means of obtaining the funds necessary to conduct our operations will continue to be the receipt of proceeds from the sale of our Notes to Investors in a number of states.

Proceeds from the Sale of Notes and Redemptions in 2019

We received \$70,592,641 in cash proceeds in 2019 from new sales of Notes. Also, approximately \$35,915,811 of the outstanding principal and accrued interest on matured Notes was reinvested on new terms or was automatically extended pursuant to their original terms and was still outstanding at December 31, 2019. We had total redemptions of Notes in 2019 of \$57,154,731. We cannot estimate with any degree of certainty the total amount of cash proceeds we will receive in 2020 from new sales of Notes. In addition, we anticipate that out of the outstanding principal and accrued interest on Notes maturing in 2020, a significant amount will be reinvested on new terms or will be automatically extended. Also, we intend to limit the aggregate outstanding principal balance of Demand Notes at any particular time to 20% of the aggregate outstanding principal balance of all Notes at that time.

As a matter of policy, our Board of Directors annually evaluates our financial condition and our funding needs for the ensuing year and, if necessary, establishes a limitation on the sale of Notes. If necessary, we can control the outstanding principal balance on Notes by determining the Notes to be made available for sale at any particular time, the interest rate to be paid on the Notes and whether to allow renewal or extension of a Note at maturity.

Maturity Information

The following shows the amount of our outstanding Notes that are on demand and term notes that will mature in the following years as of December 31, 2019:

<u>Demand and Year</u>	<u>Principal Balance</u>
Demand	\$5,260,442
2020	48,325,839
2021	19,601,239
2022	13,372,663
2023	4,589,058
2024	<u>2,886,602</u>
TOTAL	<u>\$94,035,843</u>

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

<u>Year</u>	<u>Percentage Extended or Reinvested</u>
2019	92.7%
2018	89.3%
2017	92.3%
2016	88.5%
2015	92.5%

Loans to Church Organizations

In addition to the sale of our Notes, we generate funds for operations from the income received on our outstanding loans. At December 31, 2019, the number of loans with outstanding balances, weighted average interest rate, and aggregate principal balance, net of participations, on our loans were as follows:

<u>Description</u>	<u>Number of Loans</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Net Principal Balance</u>
Secured loans	232	5.06%	\$94,604,159
Unsecured Loans	<u>4</u>	<u>6.50%</u>	<u>108,091</u>
TOTAL	<u>236</u>	<u>5.06%</u>	<u>\$94,712,250</u>

At December 31, 2019, our total net outstanding loans represented 83.4% of our total assets.

Interest Income and Principal Repayments

For the last three years, we earned the following income from interest on our loans and received the following loan principal repayments:

<u>Year</u>	<u>Interest Income</u>	<u>Principal Repayments</u>
2019	\$4,299,568	\$20,259,524
2018	\$3,599,854	\$20,116,821
2017	\$3,257,602	\$10,123,104

For a description of the terms of our loans, major loans and loan delinquencies, see “THE CORNERSTONE FUND’S LENDING ACTIVITIES.”

Scheduled Principal Payments

The following shows the principal payments of our outstanding loans scheduled to be received in the following years as of December 31, 2019:

<u>Year</u>	<u>Principal Repayments</u>
2020	\$13,617,652
2021	7,685,144
2022	12,250,490
2023	1,900,435
2024	2,025,676
Thereafter	<u>57,232,853</u>
TOTAL	<u>\$94,712,250</u>

Only a portion of the principal balance on maturing loans each year is actually repaid. Normally, we extend or refinance a significant portion of our maturing loans.

Cash and Invested Funds

Cash and Invested Funds

In accordance with our policy of maintaining reasonable liquidity, we maintain a portion of our assets in cash and investments (“Invested Funds”). These Invested Funds consist primarily of cash equivalents, money market and certificates of deposit from financial institutions from which we hope to generate interest that provides further funds for our operations. At December 31, 2019, these Cash and Invested Funds were as follows:

<u>Description</u>	<u>Weighted Average Rate of Return</u>	<u>Aggregate Market Value</u>
Cash and Cash Equivalents	0%	\$6,347,791
Short-term investments	1.74%	1,999,000
Certificates of Deposits	2.04%	<u>9,519,617</u>
TOTAL	1.98%	<u>\$17,866,408</u>

At December 31, 2019, our Cash and Invested Funds represented 19.0% of the aggregate principal balance of our outstanding Notes and Investment Balances, which is in compliance with our investment policy as stated below.

The following shows our interest income from our Invested Funds for the last three years:

<u>Year</u>	<u>Interest Income</u>
2019	\$235,526
2018	\$192,902
2017	\$162,500

The following shows the net realized and unrealized gain (loss) on our Invested Funds for the last three years:

<u>Year</u>	<u>Gain (Loss) on Invested Funds</u>
2019	\$18,979
2018	(\$10,738)
2017	\$324

Investment Policies

At the present time it is our policy to invest our Invested Funds in only cash equivalents (highly liquid debt instruments purchased with an original maturity of three months or less, investments in money market and short-term certificates of deposit and jumbo long term certificates of deposit) and in U.S. government securities. A portion of these investments may be made through a pooled fixed income fund administered by United Church Funds.

Our Board of Directors is responsible for setting and changing our investment policies. The Finance & Loan Committee is responsible for directing the investments. See “MANAGEMENT – Directors” for the names of the members of the Finance & Loan Committee. Presently, we have no investment advisors or managers employed. If they were employed, the funds transferred to them would be managed within our investment policies or other parameters set by our Board of Directors. There can be no assurance that we will or will not use outside investment advisors or managers in the future.

Also, as a matter of policy, we maintain at all times cash and/or Invested Funds having an aggregate market value equal to at least 10% of the aggregate principal balance of our outstanding Notes and Investment Balances. We cannot assure you this policy will be continued at all or at the same percentage. To the extent that demand increases for new loans, the principal balance of our Invested Funds may decrease. See “THE CORNERSTONE FUND’S LENDING ACTIVITIES.”

Related Financial Information

We anticipate that we will generate sufficient funds to make all of the principal and interest payments required on our outstanding Notes and Investment Balances from the funds available from operations and other sources. These funds primarily are composed of loan principal repayments, interest earned and paid on our loans and Invested Funds and proceeds from the sale of our Notes.

If our maturing Notes are not extended or reinvested in accordance with our historical experience, it may be necessary for us to redeem a portion of our Invested Funds or to obtain funds from other sources, including borrowing to meet current cash needs.

We had an excess of assets over liabilities (net assets) without donor restrictions of \$10,584,469, \$10,000,205, and \$9,326,916 at December 31, 2019, December 31, 2018, and December 31, 2017, respectively. See “SUMMARY OF OPERATIONS AND SELECTED FINANCIAL INFORMATION.”

Lines of Credit

We have a \$6,000,000 revolving line of credit with Peoples Bank. We borrow under this line of credit from time to time to fund loans to Church Organizations, when cash flows from other sources are not sufficient. We had \$2,500,000 borrowed under this line of credit as of December 31, 2019. Interest is payable monthly at the one month LIBOR rate, plus 1% on the first \$2,000,000 of borrowings and 1.75% on any borrowings over \$2,000,000 up to the maximum limit of \$6,000,000. We also are required to pay a bi-annual renewal fee of \$1,000 for the line of credit plus any legal fees for loan renewal document preparation. The line of credit is secured by essentially all assets of the Cornerstone Fund.

As a matter of policy, the amount borrowed on our secured lines of credit will not exceed 10% of our tangible assets. This policy is pursuant to suggested guidelines for church extension funds like the Cornerstone Fund.

SUMMARY OF OPERATIONS AND SELECTED FINANCIAL INFORMATION

The following table sets forth a summary of our operations and selected financial data for the past five years. You should read this data in conjunction with the current audited financial statements attached to this Offering Circular.

<u>Description</u>	<u>As of December 31,</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash and Invested Funds	\$17,866,408	\$10,580,298	\$12,684,826	\$21,550,284	\$20,893,319
Total Outstanding Loans *	\$94,712,250	\$80,289,544	\$71,669,021	\$58,606,832	\$58,348,599
Unsecured Loans – Amount	\$108,191	\$255,230	\$0	\$0	\$0
Unsecured Loans - % of Total Loans	0.11%	0.32%	0%	0%	0%
Loan Delinquencies** - % of Total Loans	0%	0%	0%	7.52%	2.86%
Total Assets	\$113,601,736	\$91,587,083	\$85,056,413	\$80,785,644	\$79,788,498
Outstanding Line of Credit	\$2,500,000	\$0	\$0	\$0	\$0
Church Construction Funds on Deposit	\$5,532,811	\$3,731	\$356,787	\$863,242	\$0
Outstanding Notes Payable	\$94,035,843	\$80,597,933	\$74,483,773	\$70,915,975	\$70,667,223
Total Liabilities	\$102,211,384	\$80,803,711	\$74,936,336	\$71,883,284	\$70,741,073
Notes Redeemed During Year	\$57,154,731	\$60,297,360	\$36,871,768	\$20,841,722	\$11,795,003
Net Assets Without Donor Restrictions	\$10,584,469	\$10,000,205	\$9,326,916	\$8,902,360	\$9,047,425
Net Assets With Donor Restrictions	\$805,883	\$783,168	\$793,161	\$0	\$0
	<u>Year Ended December 31,</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues, including net (depreciation) appreciation of investments	\$4,736,828	\$4,085,161	\$4,303,573	\$2,957,203	\$2,860,648
Expenses	\$4,129,848	\$3,421,865	\$3,085,856	\$3,102,268	\$2,893,272
Increase in Net Assets Without Donor Restrictions	\$584,264	\$673,289	\$424,556	\$(145,065)	\$(32,624)
Increase in Net Assets With Donor Restrictions	\$22,716	\$(9,994)	\$793,161	\$0	\$0

* Balance of loans outstanding, net of participations.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Cornerstone Fund was formed in 1993 with a transfer of a portion of the assets of the Church Building Revolving Loan Fund to the Cornerstone Fund. During 1994, we began the process of qualifying our Notes for sale in a number of states, and began contacting numerous Church Organizations concerning their capital projects and the need for financing. In 1995, we began selling our Notes and disbursed new loans to Church Organizations. Since that time, the sale of our Notes and the amount and number of our loans has steadily increased. At December 31, 2019, the aggregate principal balance of our outstanding Notes was \$94,035,843 and the aggregate principal balance on our outstanding loans, net of participations, was \$94,712,250. For the five years from 2015 through 2019 we have had a combined net increase in our net assets without donor restrictions of \$1,504,420. As of December 31, 2019, our net assets without donor restrictions were \$10,584,469.

We expect a higher level of loan activity in 2020. At December 31, 2019 we had \$13,594,732 in loan commitments on which monies probably will be advanced in 2020. Also, in 2020, we anticipate that we will continue to receive proceeds from the sale of our Notes to Investors. The proceeds from the sale of the Notes will increase the amount of funds available to us for loans to Church Organizations. We anticipate that we will again have operating income in 2020 and thereafter, although we can give no assurance of this.

We believe that prudent procedures have been adopted to insure our financial viability in a changing economy to achieve the positive spread between loan return and interest paid on Notes, including shorter term loans, variable interest rate loan commitments, and a balanced investment approach to insure reasonable liquidity.

Capital Adequacy

At December 31, 2019, we had net assets of \$11,390,352, which were equal to 10.0% of our total assets. We consider this to be a strong capital position intended to support our growth and operation and to protect Investors against losses in the value of assets available to repay Notes and Investment Balances. We recognize the need to maintain a strong capital position and carefully monitor our capital position as we sell additional Notes to meet the capital needs of Church Organizations.

Liquidity

Historically, we have made interest and principal payments on our Notes from amounts we receive as principal and interest payments on outstanding loans. We anticipate that we will continue to experience similar results in the future. We have a policy of maintaining an operating liquidity to provide for anticipated cash requirements equal to 10% of the aggregate principal balance of our outstanding Notes. At December 31, 2019, we had cash and investments of \$17,866,408, which were equal to 19.0% of our outstanding Notes. We also have a \$6,000,000 line of credit that we can draw upon as necessary. See the above section, "Lines of Credit" on page 17.

Cash Flow

Cash flow performance examines the amount of available cash as compared to cash redemptions. Historically, we have been able to meet demand for redemption of our Notes from principal and interest payments received on our outstanding loans. In 2019, in comparing (1) the sum of the cash provided by normal operating activities, liquid assets at the beginning of the year, loan principal payments less loan disbursements, and cash generated by the sale of Notes to (2) the cash redemptions of Notes, the coverage ratio was 1.03 to 1.

Loan Delinquencies

At December 31, 2019, we had no loans with principal and/or interest payments that were delinquent 90 days or more.

Profitability

We strive to manage our operations to provide interest and other operating income sufficient to pay interest expense on Notes and Investment Balances and operating expenses. We had increases of our net assets without donor

restrictions of \$584,264 and \$673,289 in 2019 and 2018 respectively. We achieved a cumulative net positive change of \$1,504,420 in total net assets without donor restrictions over the five year period ended December 31, 2019.

Future Plans and Activities

We intend to continue policies and procedures that allow us to adjust readily to fluctuating economic conditions.

We may have, from time to time, some limitation on loans to Church Organizations without participation in the Related Investment Plan by members of the Church Organization requesting the loan. The amount of limitation may vary. Also, we intend to maintain our policy which limits the length of time to which we are committed to a particular interest rate in respect to our loan commitments. This policy allows us to adjust our interest rates on loans more in line with existing conditions depending upon the time at which the various loan funds are requested after the commitment. See “THE CORNERSTONE FUND’S LENDING ACTIVITIES – Loan Policies.” Furthermore, we intend to continue our policy regarding penalties for early withdrawal on certain of our Notes. See “DESCRIPTION OF THE NOTES – Terms.” We intend to continue to maintain a balance in our Invested Funds so as to achieve a reasonable and prudent position of liquidity which will allow us greater flexibility in times of fluctuating interest rates.

TAX ASPECTS

Although we are a 501(c)(3) organization, you will not be entitled to a charitable contribution deduction for the Note you purchase. Unless the Notes are purchased through an IRA, ESA, or other tax deferred account, interest is fully taxable to you as ordinary income. You will be taxed on the interest earned on your Notes whether we retain and credit it to your Note or you elect to receive it. You will not be taxed on the return of any principal amount of your Note or on the receipt by you of interest that was previously taxed and reinvested. Payments of principal and interest may be subject to “back-up withholding” of federal income tax if you fail to furnish us with a correct Social Security Number or tax identification number, or if you or the IRS has informed us you are subject to back-up withholding.

In addition, if you (or you and your spouse together) have invested or loaned more than \$250,000 in the aggregate with or to us and other charitable organizations that control, are controlled by or under common control with us, you may be deemed to receive additional taxable interest under Section 7872 of the Internal Revenue Code if the interest paid to you is below the applicable federal rate, which is a minimum rate of interest which the Internal Revenue Service requires be included in certain loan transactions. In that situation, the Internal Revenue Service may impute income up to that applicable federal rate. If you believe this applies to you, you should consult your tax advisor.

If the law creating the tax consequences described in this summary changes, this summary could become inaccurate. This summary is based on the Internal Revenue Code, the regulations promulgated under the Code and administrative interpretations and court decisions existing as of the date of this Offering Circular. These authorities could be changed either prospectively or retroactively by future legislation, regulations, administrative interpretations, or court decisions. Accordingly, this summary may not accurately reflect the tax consequences of an investment in our Investment Certificates after the date of this Offering Circular.

Finally, this summary does not address every aspect of tax law that may be significant to your particular circumstances. For instance, it does not address special rules that may apply if you are a financial institution or tax-exempt organization, or if you are not a citizen or resident of the United States. Nor does it address any aspect of state or local tax law that may apply to you. It also does not address the tax consequences of investing through an IRA, ESA, or other tax-deferred account.

DESCRIPTION OF THE NOTES

Terms

We are currently offering the Notes shown on the Application to Purchase. The purchase price of the Notes is 100% of the face value. We offer the Notes for cash and we offer no financing terms. The Notes are unsecured obligations of the Cornerstone Fund and will mature as follows:

<u>Description</u>	<u>Maturity</u>
Flexible Demand Notes	Demand
Term Notes	3 to 60 Months

A Note commences on the date of issuance. A Term Note matures on the date on which the term expires, except that if the maturity date is not a business day, then the maturity date will be the next business day. Our Term Notes are not insured by the FDIC, SIPC or any other governmental agency.

The term of a Term Note is automatically extended at maturity at the then current rate of interest for a like term (or the closest term then being offered), unless you send us the Term Note along with written demand for redemption prior to the original or any extended maturity date. We will notify you of the maturity date at least 30 days prior to each maturity date and will furnish you with a current offering circular at that time, if you have not previously received one. In the case of automatic extension of existing Term Notes upon maturity, the new extension interest rate may be less than the interest rate on the original Term Note. The new interest rate will be the applicable interest rate for the term of the Term Note being extended at the time of the extension. If we elect not to extend the term, we will notify you in writing of this election at least 30 days prior to the original or extended maturity date.

The terms of Term Notes available and minimum amounts of investment required are reflected in the Application to Purchase which accompanies this Offering Circular.

Giving Bonus

This is a special investment program only available for investments of \$10,000 or more and only available on a 60 Month Term Note (“Note with Giving Bonus”). To be eligible for this investment program, you must authorize, in writing, the gifting of a minimum of 10% of the monies invested to a United Church of Christ church, Association, Conference, or another related United Church of Christ entity, which, in most circumstances, should qualify as a charitable contribution for tax purposes. A gift to an individual or any other type of entity does not qualify you to participate in this program. You may have more than one of these Notes with Giving Bonus with the same or other designated beneficiaries and can have one of these Notes with Giving Bonus along with other regular Term Notes offered by Cornerstone Fund.

This investment program is only available for new money. New money is defined for these purposes as an extension or renewal of an existing maturing Term Note or a new investment from either an existing Investor or a new Investor. Immediately following the investment, a withdrawal in the amount of the authorized gift will be made and the gifted money sent to the designated beneficiary in the name of the Investor, accompanied by a letter asking the beneficiary to acknowledge receipt of the gift in writing to you as donor. A copy of the letter sent to the beneficiary will be sent to you.

The interest rate paid on this Note with Giving Bonus will be up to 1.00% above the most current posted interest rate for a regular 60 Month Term Note at the time of investment. At the time of the original maturity, the Note with Giving Bonus would be changed to a regular 60 Month Term Note and the extension or renewal interest rate will be the then current posted rate for a regular 60 Month Term Note, unless you elect to redeem the Note with Giving Bonus or reinvest the monies in another regular-term Term Note available at that time. However, at maturity you may elect to again participate in the Note with Giving Bonus, should the program still be available. In the event the Note is redeemed in whole or in part prior to maturity, normal penalties will apply.

To purchase the Note with Giving Bonus, you need to complete the special application form for such Notes with Giving Bonus accompanying this Offering Circular.

Flexible Demand Notes

Flexible Demand Notes have an adjustable interest rate, accrue interest daily and compound interest semiannually, with the entire principal and accrued interest payable within 5 days of your written demand. Flexible Demand Notes require a minimum initial purchase of \$50. Any amount may later be invested in or redeemed from the same Flexible Demand Note. If you agree to make a minimum monthly investment of \$100 via ACH transfer, the Flexible Demand Note will accrue interest at a higher rate. We refer to these Notes as Flexible Demand Plus Notes. If the required minimum monthly investment of \$100 is not made by ACH in any month, the interest rate will be reduced as of the first day of the following month to accrue at the interest rate for Flexible Demand Notes that are not Flexible Demand Plus Notes.

We intend to limit the aggregate outstanding principal balance of Demand Notes at any particular time to 20% of the aggregate outstanding principal balance of all outstanding Notes at that time.

Interest

We start to accrue interest daily from the date the Note is issued. We compound interest on June 30 and December 31 of each year until the Note's maturity date or any extension thereof. We retain and credit the interest to your account unless you specifically elect in the Application to Purchase to receive interest payments semi-annually, quarterly, or monthly in the case of Notes of \$10,000 or more. The interest rates on our Term Notes, which have a fixed rate of interest, depend upon prevailing interest rates at the time of sale and are reflected in the Rate Sheet that accompanies the Application to Purchase. We do not pay interest on the amount gifted in connection with a Note with Giving Bonus.

The initial interest rate on Flexible Demand Notes, including Flexible Demand Plus Notes, depends on our prevailing interest rates at the time of sale and is reflected in the Rate Sheet that accompanies the Application to Purchase. At our option, the interest rate may be adjusted on the first day of each calendar quarter. We will notify you of any quarterly adjustment to the interest rate not less than fifteen (15) days before the effective date of the adjustment if the adjustment is a decrease in the interest rate.

We will send notice semiannually showing the balance of the respective Demand Note.

Related Investment Plan

We also sell Term Notes pursuant to a Related Investment Plan, whereby investment by members of a local church provides investment support for all or a portion of a loan to that local church. Based on the amount, the terms, and the interest rates of this investment support, the church may earn cash back annually of up to 1%. Also, under the Related Investment Plan, the normal early redemption policies may not apply. The minimum amount required for purchase, the rate of interest, the applicable early redemption terms, and the term of the Term Note pursuant to the Related Investment Plan will be reflected in the Application to Purchase and Rate Sheet that accompanies this Offering Circular at the time of offer.

Early Redemption and Penalty

Although you generally cannot redeem your Term Notes or Investment Balances before the maturity date, our policy is to honor requests for early redemption upon a representation of personal or financial emergency need. We cannot assure you that we will continue this policy in the future and we are not legally obligated to do so.

When early redemption is allowed, we generally charge an early redemption penalty on certain of our Term Notes. Upon such early redemption prior to original or extended maturity, there will be a forfeiture of one month's interest on any Term Note with an original term of 6 months or less, and a forfeiture of three months interest on any Note with an original term exceeding 6 months. When early redemption is allowed, there will be no penalty imposed if the date of redemption is within 10 days after the date of maturity or extended maturity. If one or more of the owners

of your Term Notes is deceased, we will not impose any early redemption penalty. Also, when early redemption is allowed, generally no early redemption penalty will be imposed in respect to Term Notes purchased pursuant to the Related Investment Plan unless otherwise agreed to as a part of the terms of the Related Investment Plan.

We have no right to prepay or call any outstanding Note or Investment Balance prior to the expiration of its term without your consent.

Kids Club Investment Program – Notes Held as Custodian for Minors

In our Kids Club Investment program, we permit investors to hold Term Notes and Demand Notes in their capacities as custodians for the benefit of a minor under the Uniform Transfers to Minors Act (“UTMA”). UTMA allows an adult (usually a parent or grandparent) to make investments for the benefit of a minor without the complications of establishing a formal trust or guardianship. If you select this option by using our Kids Club Investment Application Form, investment ownership will be recorded in your name as “Custodian for minor under the Uniform Transfers to Minors Act.” For more specific information about UTMA, including restrictions and potential tax benefits and consequences, we recommend that you consult your attorney or financial advisor.

Under our Kids Club Investment Program, the minimum investment in a Flexible Demand Note held in the capacity as custodian for the benefit of a minor under the UTMA is reduced to \$25. Any amount may later be invested in or redeemed from the same Kids Club Flexible Demand Note. If you agree to make a minimum monthly investment of \$50 via ACH transfer, the Kids Club Flexible Demand Note will accrue interest at a higher rate. We refer to these Notes as Kids Club Flexible Demand Plus Notes. If the required minimum monthly investment of \$50 is not made by ACH in any month, the interest rate will be reduced as of the first day of the following month to accrue at the interest rate for Kids Club Flexible Demand Notes that are not Kids Club Flexible Demand Plus Notes.

The minimum investment under the Kids Club Investment Program for Term Notes is \$500.

IRA Investments

We also offer our Demand Notes and Term Notes as investments for Individual Retirement Accounts (“IRAs”), paying interest at a rate as specified in the Rate Sheet at the time of purchase. There is a minimum investment of \$50 for a Demand Note acquired as an IRA and additional purchases in any amount may be made up to the limit allowed by the Internal Revenue Code for one year. There is a minimum investment of \$500 for a Term Note acquired for an IRA. Interest earned on IRA investments grows free of federal and state income taxes until funds are withdrawn. Prior to age 59 ½, all distributions generally are subject to federal and state income taxes and a 10% early distribution penalty, unless the distributions are rolled-over into another allowable retirement plan. There are certain risks and considerations involved in investing in self-directed IRAs and an investor should consider whether there is sufficient liquidity should the IRA beneficiary need to take a mandatory distribution. You should consult with your tax advisor before choosing to invest in our notes in an IRA account due to the tax implications of missing a Minimum Required Distribution and the limitations on the amount a taxpayer can contribute each year.

If you wish to arrange for your investments to be handled so as to qualify for tax deferral under provisions of the tax law dealing with Individual Retirement Accounts (“IRAs”), you may do so as a result of arrangements that we have made with Goldstar Trust Company, Canyon, Texas. Under those arrangements, Goldstar Trust Company acts as the custodian of a self-directed IRA and invests the designated funds with us, as you direct. More information on this feature is available by contacting us.

ESA Investments

We also offer our Demand Notes and Term Notes as investments for Coverdell Education Savings Accounts (“ESAs”), paying interest at a rate as specified in the Rate Sheet at the time of purchase. There is a minimum investment of \$50 for a Flexible Demand Note acquired as an ESA and additional purchases in any amount may be made up to the limit allowed by the Internal Revenue Code for one year. There is a minimum investment of \$500 for a Term Note acquired for an ESA. There are certain risks and considerations involved in investing in self-

directed ESAs. You should consult with your tax advisor before choosing to invest in our notes in an ESA due to the tax implications and the limitations on the amount a taxpayer can contribute each year.

If you wish to arrange for your investments to be handled so as to qualify for tax deferral under provisions of the tax law dealing with ESAs, you may do so as a result of arrangements that we have made with Goldstar Trust Company, Canyon, Texas. Under those arrangements, Goldstar Trust Company acts as the custodian of a self-directed ESA and invests the designated funds with us, as you direct. More information on this feature is available by contacting us.

Additional Information

We may, from time to time, offer additional Notes in your state and other states, which differ in terms from your Notes, without notifying or obtaining your consent, but in such case such different Notes would be registered or otherwise qualified in states where such is required. The Notes are unsecured, unsubordinated debts of the Cornerstone Fund, with the result that in the event of liquidation or any distribution of assets upon bankruptcy, reorganization, or similar proceedings, all our unsecured, unsubordinated obligations will have an equivalent claim to our assets. We have never issued secured or subordinated obligations to the public and we do not anticipate doing so in the future, but we cannot assure you that none of our Notes will be secured or otherwise senior to your Notes. It is our policy that, if we do create any senior or secured indebtedness, the amount will not exceed 10% of our tangible assets as of the date of issuance or incurrence of the obligation. If we fail to pay principal and interest on your Note when due and requested, it will be an event of default, but only as to that Note, but not as to all Notes outstanding. As to your Note, you will have available to you all legal remedies to collect the amount owed to you that are provided for under state and federal law.

Because you purchase a Note, you are not entitled to an equity interest in the Cornerstone Fund or the right to vote on corporate matters.

It is our policy to mail you a copy of our annual report or Offering Circular, which will include our audited financial statements, within 120 days after the close of each fiscal year. At the present time, our fiscal year ends on December 31.

Method of Sale

We solicit the sale of the Notes primarily through direct mail advertising, our website, and attending and disseminating marketing materials at local, regional and national United Church of Christ events. Prospective Investors are able to obtain an Offering Circular and additional material concerning the Notes by requesting information from the Cornerstone Fund either by telephone or by mail. We then transmit the materials to them. We directly mail our Offering Circular and advertising materials to current, past, and prospective Investors. If the Investor wishes to purchase a Note, the Investor completes the Application to Purchase that accompanies the Offering Circular and sends it with a check to the Cornerstone Fund in Ohio. If the Cornerstone Fund accepts this offer to purchase, the Investor is notified by mail and an executed Note is delivered to the Investor. All sales are made by officers of the Cornerstone Fund pursuant to broker-dealer, issuer or agent licensing or applicable exemption therefrom and such officers receive no commissions, fees or other special remuneration for or in connection with the sale of the Notes. See "MANAGEMENT."

In order for you to purchase any Notes and prior to your receiving an Offering Circular, you must be a member of, a contributor to (including an Investor), or participant in the United Church of Christ or the Cornerstone Fund or in any program, activity, or organization which constitutes a part of the United Church of Christ or the Cornerstone Fund, or in other Protestant church organizations which have a programmatic relationship or are religiously aligned with the United Church of Christ or the Cornerstone Fund ("Limited Class") or such other persons or entities having a reasonable association or affiliation with the Limited Class, as determined by the Cornerstone Fund, such as (1) family members of persons in the Limited Class, (2) entities controlled by members of the Limited Class, (3) employees of the Cornerstone Fund or any organizations affiliated with the United Church of Christ and (4) other reasonably associated or affiliated institutional investors that are nonprofit religious organizations.

With our consent, you may make the following transfers: (1) transfers to persons who would be eligible to purchase our Notes originally; (2) transfers by gift, order of process of any court, as security for a loan, or on death; or (3)

transfers to the Cornerstone Fund, to your descendants or spouse, to Investors of the same class of security or transfers by a corporate Investor to a wholly-owned subsidiary or parent company.

We reserve the right in our sole discretion not to accept a particular Application to Purchase, to give priority to one Application to Purchase over another, to accept less than the minimum Application to Purchase amount or to impose a maximum Application to Purchase amount.

Website

We have a website for providing information to Investors and other persons affiliated with the United Church of Christ. The website is <http://www.cornerstonefund.org>. The home page and other accessible pages of the website provide information concerning our mission and work, as well as the investment choices and latest available interest rates. Information contained in or that can be accessed through our website is not a part of this Offering Circular.

MANAGEMENT

Directors

As a nonprofit corporation, we have no shareholders. Our affairs are managed by our Board of Directors, all of whom, except for the ex officio member, serve for three-year terms. The ex officio member is the person holding office of President and Chief Executive Officer of the Cornerstone Fund. The remaining Directors are elected by our Board of Directors. Approximately one-third of the elected Directors are elected annually.

Nominations of elected Directors are made by our Nominating Committee, which attempts to select nominees that are affiliated with, interested in and active in the United Church of Christ. The committee's objective is to maintain a reasonable diversification of Directors by selecting individuals from various geographic regions and backgrounds including the clergy, business, industry, teaching, legal, or other professions whose experience or expertise is believed to be valuable.

The Board of Directors has two regularly scheduled meetings per year. We have an Executive Committee which meets as needed between meetings of the Board of Directors. The Executive Committee has the authority to act on behalf of the full Board, subject to ratification by the full Board. We also have a Finance Committee which, pursuant to and subject to policies set by the Directors, has the authority to determine interest rates and related terms of the Notes as well as the loans made to Church Organizations and manage the Invested Funds.

The following person is our ex officio Director as of the date of this Offering Circular:

+ o ◇ **Maria C. Coyne** is the President and Chief Executive Officer of the Cornerstone Fund. (See the biographical information on Ms. Coyne below under "Officers and Key Personnel.")

The following sets forth the persons who currently serve as our elected Directors and their background, education and occupations/professions for at least the last five years:

Terms Expiring December 31, 2020:

+ o ◇ **Daniel D. Dubree** (See the biographical information on Mr. Dubree below under "Officers and Key Personnel.")

+ **Shari Prestemon** has been the Conference Minister and CEO of the Minnesota Conference of the United Church of Christ since 2013. Previously she served as minister in several local churches in Illinois and Wisconsin, before serving as Executive Director of Bay Back Mission in Biloxi, Mississippi from 2000-2013. She also currently serves as the Chair of the Trustees of United Theological Seminary in the Twin Cities, as Vice Chair of the Cornerstone Fund Board of Directors, on the Board of the Minnesota Council of Churches and on the United Church of Christ Board. Reverend Prestemon received her Bachelor of Arts degree with a major in social work from Luther College in 1989. She received a Master of Divinity degree

from Chicago Theological Seminary in 1993 and was ordained as a minister that same year. She received an honorary Doctor of Divinity degree from Heidelberg University in May, 2010.

- o **Chandra Soans** serves as both the senior pastor of Grace Trinity United Church of Christ, and the Executive Director of Grace Neighborhood Development Corporation. In 1996, Rev. Soans partnered with his Conference (PSEC) to transform a closing church into a new church for the immigrant and surrounding community. Rev. Soans and colleagues took over a dilapidated building in a neighborhood familiar with drug dealers and gun violence. Rev. Soans and 11 members opened Grace Trinity UCC in July 1996. Over the last 20 years, the church has grown into a congregation with dynamic worship, far-reaching fellowship and discipleship, and engaging community service. Since then, he has also transformed former church properties into much needed day care facilities. Rev. Soans has also been a long-time client of the Fund. Rev. Soans has also created the Grace Neighborhood Development Corporation (GNDC) to serve the local community. GNDC provides pre-purchase counseling, credit counseling, home ownership and maintenance counseling and other financial services to the local community. The mission of the GNDC is to aid low-income families into home ownership. Economic development is an equally important aspect of GNDC, and it owns more than 7,000 sq. ft. of commercial space for new and existing businesses, generating more than 100 jobs.

Courtney Stange-Tregear is a clergy person in the United Church Christ anchored in the dynamic work of social justice advocacy and congregational transformation. After having spent time pastoring in local congregations in both California (Ladera Community Church, Portola Valley) and Maryland (Zion UCC, Nottingham), she now serves as the Minister of Church Vitality for the Pacific Northwest Conference of the United Church of Christ. In this capacity, both her love for the local parish and community organizing come into play as she consults and partners with congregations to build more dynamic, integrative, and intersectional churches for the future of the mainline church. Rev. Stange-Tregear's work as a pastor and conference staff has its roots in her training in the Great Books tradition of St. John's College where she received her undergraduate degree. She also holds degrees from the University of Leeds in Philosophy and Religion and a Masters of Divinity from Andover Newton Theological Seminary. Rev. Stange-Tregear was a participant in the UCC Pension Boards Next Generation Leadership Initiative (NGLI), Class of 2024. She has been an advocate on issues of maternal health, homelessness, and economic justice.

Terms Expiring December 31, 2021:

- o **Cindy P. Crotty** is a financial services executive with over 35 years of experience in commercial, retail, private and corporate banking. She is currently Executive Vice President and Regional President of Peoples Bank. She reports to the CEO and is responsible to lead and grow all bank operations for the North Region including retail, commercial, business banking, investment management and insurance. Prior to Peoples Bank Ms. Crotty spent 20 years at KeyCorp, most recently as an Executive Vice President and a member of KeyCorp's Executive Council, where she was responsible for the Commercial Client segment. Prior to KeyCorp, she spent 14 years in various corporate finance and wealth management leadership roles at Citibank, NA (now Citigroup, NA). She is currently an active trustee on the Board of Trustees of the University of Akron and a board member of The Gathering Place. Ms. Crotty is a former board member of Hathaway Brown School, is past president and former board member of Beech Brook, retired board member of the Visiting Nurse Association, and was an inaugural member of the United Way Women's Leadership Council. She is a graduate of the University of Georgia with a Bachelors of Business Administration in Accounting and completed the Key Executive Experience at the Case Weatherhead School of Management.
- ◇ **Dennis Coy** currently serves as senior pastor of Congregational United Church of Christ in Canton, Ohio – and has served this congregation since early 2014. Mr. Coy also serves as a member of the United Church of Christ Board of Directors (UCCB). Mr. Coy is a career investigator and investigations manager in both the public and private sectors with over 20 years of experience as a specialist in the area of White Collar Crimes and financial crimes, in general. Mr. Coy serves as an executive overseeing risk, compliance, and investigations in the banking, financial services, and financial technology (FinTech) sectors.

Mr. Coy is also active in his community and has served in various roles with regional and state-wide nonprofit organizations. He has as a B.A. in Legal Studies from Dominican University and attended the University of London for divinity and theological studies.

- +o Δ **Thomas E. Dipko** (See the biographical information on Mr. Dipko below under “Officers and Key Personnel.”)

- Δ **Bee Moorhead** currently serves as Executive Director of Texas Impact, a position she has held since 2000. Mss. Moorhead also serves as Executive Director of the Texas Interfaith Center for Public Policy. The Texas Interfaith Center for Public Policy was established by the board of directors of Texas Impact to improve and expand upon interfaith public policy education and dialogue. Both organizations have earned state and national recognition for work on interfaith education and community leadership development. Ms. Moorhead previously served as a senior fiscal policy analyst for the Texas Comptroller of Public Accounts where she helped lead a nationally known Texas Performance Review, providing members of the Legislature with numerous recommendations for strengthening state government and state services, many of which are now law. She was architect of “Family Pathfinders,” a unique initiative linking families on public assistance with faith and community-based organizations. Bee holds a Master’s degree in Public Affairs from the University of Texas LBJ School. She also holds an undergraduate degree in theatrical costume design from UT Austin, and she has studied theology and New Testament at Austin Presbyterian Seminary. An ordained elder in the Presbyterian Church (USA), Bee has been a member of University Presbyterian Church since 1983.

- *+Δ **Elizabeth Walker** has been engaged in the legal profession for over 30 years. Currently, she is a sole practitioner in Philadelphia, Pennsylvania having retired from Zurich America Insurance Company where she specialized in the field of employment law, educating, training, counseling and defending insured employers. Ms. Walker is a graduate of Rutgers College, New Brunswick, New Jersey, where she earned a B.A. in Economics. She attended Colgate Rochester/Bexley Hall/Crozier Theological Seminary studying applied ethics before earning her Juris Doctorate Degree from Temple University School of Law in Philadelphia, Pennsylvania. She is admitted to the bars of the State of New Jersey and Commonwealth of Pennsylvania. Ms. Walker is an active member of Old First Reformed United Church of Christ where she serves as Director of Community Engagement. She is Vice-Moderator of the Philadelphia Association of the United Church of Christ and serves on the Nominating Committee of the Pennsylvania Southeast Conference of the UCC. Ms. Walker is also serving on the Taskforce developing a Manual on Church for the United Church of Christ. Ms. Walker has previously served on the Unified Board of the United Church of Christ from 2013 to 2015 and before that on the Local Church Ministries Board. Ms. Walker served on the Cornerstone Fund Board of Directors from 2012-2017, serving as Secretary and a member of the Board’s Strategic Planning Taskforce.

Terms Expiring December 31, 2022:

- o **Sue Artt** is the Conference Minister of the Rocky Mountain Conference of the United Church of Christ. Reverend Artt came to ministry as a third career pastor after nearly two decades in executive leadership with Mobil Oil Corporation and running her own private consulting practice. Sue was called to ministry in the wake of the 1999 Columbine High School shootings, and attended Eden Theological Seminary prior to serving her first call as solo pastor for the 500-member St. Paul United Church of Christ in Nashville, Illinois. During her tenure with Illinois South, Sue was tapped as inaugural chair of the conference’s Finance Ministry, which, for the first time in the life of the conference, was able to paint a clear picture of their true financial picture for improved decision making.

Sue served as Vice Moderator of General Synod (2015) and Moderator of the 31st General Synod in Baltimore (2017).

Now in her seventh year of conference ministry, Sue has helped churches in the Rocky Mountain Conference build renewed vitality, has instilled nuanced leadership skills in clergy and lay leaders , and continues to challenge each ministry to think beyond long-held conventions to find new meaning and power for life as a Christian in the 21st Century.

- Δ **Ginny Brown Daniel** is the Conference Minister of the Missouri Mid-South Conference of the United Church of Christ. She began her duties in December of 2015. She earned her bachelor’s degree from Auburn University and attended Baptist Theological Seminary and Union Presbyterian Seminary, both in Richmond, VA, where she earned her M.Div. and D. Div. degrees, respectively. Rev. Dr. Daniel brings sixteen years of pastoral experience in two UCC churches – the first in Maryland and then in Texas. She served as Moderator of the South Central Conference while serving the Houston congregation, and previously served on the Board of the Central Atlantic Conference, and was Moderator of their Annual Meeting. In May, 2015, she began a consulting business called Divine Sparks Consulting which provides leadership conferences and spiritual retreats to ministers.
- + o ◇ **V. Brian Magnone** (See the biographical information on Mr. Magnone below under “Officers and Key Personnel.”)
- o **Patricia J. Eggleston** serves as the Executive Vice President and General Counsel for the Trinity 95th and Cottage Grove Planned Community Development, LLC (dba Imani Village). In her role, she directs, manages, and oversees all aspects of the development; ensures implementation of the organization’s goals and objectives; provides for general legal oversight of the project; and, is responsible for managing stakeholder relationships. Prior to her current role, Ms. Eggleston served as General Counsel and program advisor for Trinity United Church of Christ in Chicago, the denomination’s largest congregation. In this capacity, Ms. Eggleston was responsible for all aspects of Trinity’s legal affairs. She served in this role since 1991. Ms. Eggleston has also maintained a private legal practice, committed to representing and empowering low-income persons. She has a special expertise and extensive experience in real estate, business, contract, church, and non-profit law, representing several churches and non-profit organizations. Ms. Eggleston has been a member of Trinity UCC since 1981, and has served in various capacities with the denomination, including leadership roles with United Black Christians. She received both her B.A. and J.D. from the University of Illinois.
- + Members of the Executive/Policy Committee.
- o Members of the Finance & Loan Committee.
- ◇ Members of the Audit Committee.
- Δ Members of the Governance Committee.
- * Elizabeth Walker is Chairperson of the Board for 2020.

Officers and Key Personnel

Our officers are elected annually by our Board of Directors. These officers serve for one-year terms. The following are our officers as of the date of this Offering Circular:

Maria C. Coyne – President and Chief Executive Officer
Jeanine Heasley-Colozza - Vice President Sales and Chief Lending Officer
Kathy L. Houston - Vice President, Chief Financial Officer & Chief Operating Officer
V. Brian Magnone - Secretary
Daniel D. Dubree - Treasurer
Thomas E. Dipko - Assistant Treasurer

The following is a summary of the officers, their present duties, their background, and experience for at least the last five years:

MARIA C. COYNE serves as President and Chief Executive Officer of the Cornerstone Fund. Ms. Coyne is a graduate of the University of Notre Dame with a degree in Finance and attended the Weatherhead School of Management at Case Western Reserve University and has over 30 years of banking experience with Key Bank and Bank One and also served as Director of E-Strategy for the Greater Cleveland Growth Association. In addition, Ms. Coyne was a founding member of the United Way Women’s Leadership Council, served as a member of Macdonald

Women's Health Leadership Council affiliated with University Hospitals Health System, served on the Finance Council of the Cleveland Catholic Diocese, as a Board member of the Consumer Bankers Association and on the inaugural board of the Forbes Executive Women's Board.

JEANINE HEASLEY-COLOZZA serves as Vice President and Chief Lending Officer for the Cornerstone Fund. She brings more than 30 years of community development lending and non-profit management experience to the Fund, most recently serving as a development and finance consultant on several large scale catalytic projects in Northeast Ohio and prior to that, as Senior Loan Officer for a CDFI operating within the Greater Cleveland area. Prior to these roles, Ms. Heasley-Colozza has served in a variety of non-profit leadership and project management positions.

KATHY L. HOUSTON serves as Vice President, Chief Financial Officer and Chief Operating Officer for the Cornerstone Fund. She has a Master's degree in Accounting and Financial Information Systems and a Bachelor's degree in Finance, both from Cleveland State University. Ms. Houston has held multiple financial positions in the national setting of the United Church of Christ national setting, including serving as Chief Financial Officer for the national setting. Ms. Houston served on the Board of Directors of the United Church Insurance Association and was Chair of that organization's Finance Committee. Ms. Houston also served as Vice Chair of the Board of Directors of the United Church Insurance Corporation.

V. BRIAN MAGNONE serves as Secretary of the Cornerstone Fund. He is Vice President of Treasury and Chief Investment Officer of the Retirement Housing Foundation ("RHF"), which he joined on 2004 as Director of Treasury. RHF is a national non-profit provider of senior housing with a large portfolio of affordable and low-income housing tax credit (LIHTC's) properties as well as Continuing Care Retirement Communities, has properties in 29 states, Virgin Islands and Puerto Rico and is the largest member of The Council for Health and Human Service Ministries (CHHSM) of the United Church of Christ. Mr. Magnone served on CHHSM's Board of Directors for 2 terms in the past. He oversees RHF's banking, investment and financing activities. Mr. Magnone is actively involved in his local church and has service in various leadership positions Mr. Magnone is a graduate of West Liberty University where he earned a B.S. degree in Business Administration with a specialization in Mathematics and an MBA from Regent University. He has earned the Chartered Financial Analyst (CFA) and Certified Cash Manager (CCM) designations. He has been actively involved in CFA Societies and has served on the CFA Orange County Society Board in Newport Beach, CA. Mr. Magnone is also a California real estate broker.

DANIEL D. DUBREE is owner of Preferred Global Consulting, LLC which provides confidential consulting services for companies seeking federal government contracts. Prior to his consulting work, Dan worked for twenty-seven years for the Federal Bureau of Investigation (FBI) serving as Assistant Director, Deputy Assistant Director, Deputy Program Manager, Assistant Special Agent in Charge, Unit Chief, Supervisor Senior Resident Agent, Supervisor Special Agent, Special Agent and Computer Programmer. As Assistant Director, Dan was responsible for operation and maintenance of the FBI's Information Technology system worldwide. In this capacity he led a staff of 800 members and formulated and executed at budget of over \$200 million. Mr. Dubree is an active UCC member and from 2013 to 2016 served as Executive Director/Chief Operating Officer of Cathedral of Hope in Dallas, Texas. He is a 1983 graduate of Catawba College in Salisbury, North Carolina with a Bachelor of Arts in Mathematics and Computer Science and received his Juris Doctor, cum laude, in 1996 from New York Law School. Mr. Dubree is licensed to practice law in New York and New Jersey.

THOMAS E. DIPKO is the retired Executive Vice President of the United Church Board for Homeland Ministries and Charter Chair and member of the Board of Directors of the Cornerstone Fund. He served as a local church pastor for 21 years and as Conference Minister of the Ohio Conference for 8 years. His specializations include ecumenical theology and liturgy, and he served as the first draft writer of the UCC Book of Worship. He holds a B.A. from Otterbein College, an M.Div. from United Theological Seminary (Dayton), and a Ph.D. from Boston University.

Remuneration

No member of the Board of Directors receives any compensation from the Cornerstone Fund for being a director. Except for the President and Vice Presidents, no officer receives compensation directly from the Cornerstone Fund. Directors and officers are reimbursed for actual expenses incurred in attending our corporate meetings.

The following table sets forth the amount of all annual remuneration of the officers whose total remuneration exceeded \$150,000 in 2019 and the total remuneration in aggregate for all officers who received compensation directly from Cornerstone Fund for 2019:

<u>Officer</u>	<u>Salary</u>	<u>Health or Other Insurance</u>	<u>Retirement Plan Contribution</u>	<u>Personal Use of Assets</u>	<u>Total Remuneration</u>
Maria C. Coyne	\$194,823	\$25,640	\$26,855	0	\$247,318
All officers in aggregate	\$378,024	\$67,520	\$51,832	\$0	\$497,376

We paid no remuneration to any of our officers or directors based upon the sale of our Notes.

The remuneration of our President and all personnel, as well as office space expenses and common service fees are paid directly by us, but paid through services organizations that are related to the United Church of Christ. See “RELATED PARTY TRANSACTIONS” above and the Notes to the Financial Statements, Note 9.

As of December 31, 2019, our officers, directors, and staff as a group had invested the aggregate amount of \$207,748 in our Notes, which represented 0.22% of our total outstanding Notes held by Investors at the time. Because of the continuous nature of our offerings of Notes and the personal nature of investment by our officers, directors, and staff, we cannot state as to whether any further investment by officers, directors, and staff will occur in the future.

Pension/Retirement Plan

All officers and staff rendering services to us are eligible for the retirement benefits. Operating expenses include a portion of the retirement contributions for these employees totaling \$105,091 in 2019.

LITIGATION

As of the date of the Offering Circular, there are no pending litigation or other legal or administrative proceedings or claims pending (actual or threatened) against the Cornerstone Fund, its officers or directors or affiliates. Moreover, there have never been any material legal proceedings or claims against us, our officers or directors.

ADMINISTRATIVE MATTERS

Securities issued by charitable organizations are exempt from the registration provisions of the Securities Act of 1933, as amended, and from the registration provisions of certain state securities laws. In other states, debt securities, such as our Notes, must be registered prior to their offer and sale. Additionally, in certain states, although the securities are exempt from registration, our officers engaged in sales activities must be registered as agents. Furthermore, some states have regulatory statutes which govern the borrowing and lending activities undertaken within the state.

We believe we have taken or will be taking the necessary steps to comply with the state securities laws of the states in which we offer and sell or will be offering and selling our Notes. In certain states, however, it is possible that our activities may have exposed us to potential liabilities. We are not aware, however, of any material, undisclosed liability at this time.

INDEPENDENT AUDITORS

The financial statements of Cornerstone Fund as of and for the years ended December 31, 2017, 2018 and 2019 have been audited by Maloney + Novotny LLC, independent auditors, as stated in its report appearing herein.

We will make available to you a copy of our annual report or Offering Circular, or otherwise make available our audited financial statements, within 120 days after the close of each fiscal year. At the present time, our fiscal year ends on December 31.

INTERNAL CONTROLS

We maintain internal accounting control systems that are designed to provide reasonable assurance that our assets are safeguarded, that transactions are executed in accordance with management's authorization and are properly recorded, and that accounting records are adequate for preparation of financial statements and other financial information. Our Board of Directors has an Audit Committee, made up of independent directors, that is responsible for the employment of our independent auditors and the maintenance of our internal accounting controls.

DEFINITIONS

Association. A body within a Conference of the United Church of Christ which is composed of all Local Churches in a geographical area, all Ordained Ministers holding standing or ordained ministerial partners standing therein, all Commissioned Ministers and Licensed Ministers in that Association. Associations determine, confer, and certifies to the standing of the Local Churches of the United Church of Christ within its area. Associations grant authorization that is required for various forms of ministry in and on behalf of the Church.

Church Organizations. Local churches, colleges, seminaries, administrative instrumentalities and other organizations affiliated and identified with the United Church of Christ, or any of its Associations or Conferences.

Conference. A body within United Church of Christ which is composed of all Local Churches in a geographical area, all Ordained Ministers holding standing or ordained ministerial partners standing in its Associations or in the Conference itself when acting as an Association, all Commissioned Ministers and Licensed Ministers in its Associations.

Cornerstone Fund. The United Church of Christ Cornerstone Fund, Inc.®, the issuer of the Notes.

Invested Funds. Certificates of deposit, commercial paper, bankers acceptances, shares of money market funds or governmental obligations, including treasury bills and notes, purchased by the Cornerstone Fund. Invested Funds may also include units purchased in the United Church Fund's pooled fixed income fund.

Investment Balances. The amounts representing outstanding principal and accrued interest owed by the Cornerstone Fund to individuals and Church Organizations.

Local Church Ministries. Local Church Ministries (A Covenanted Ministry of the United Church of Christ) with which the Cornerstone Fund is affiliated and shares the church extension work of the United Church of Christ.

Exhibit A – Audited Financials

**UNITED CHURCH OF CHRIST
CORNERSTONE FUND, INC.**

FINANCIAL REPORT

DECEMBER 31, 2019, 2018 and 2017

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of financial position	3
Statement of activities and changes in net assets	4
Statement of cash flows	5
Notes to financial statements	6-13

Independent Auditors' Report

To the Board of Directors
United Church of Christ
Cornerstone Fund, Inc.
Cleveland, Ohio

We have audited the accompanying financial statements of the United Church of Christ Cornerstone Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Church of Christ Cornerstone Fund, Inc. as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Church of Christ Cornerstone Fund, Inc.'s 2018 and 2017 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our reports dated March 12, 2019 and March 14, 2018, respectively. In our opinion, the summarized comparative information presented herein as of and for the years ended December 31, 2018 and 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Meloney + Novotny LLC

Cleveland, Ohio
March 11, 2020

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

(With Comparative Totals at December 31, 2018 and 2017)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Church building loans receivable (Notes 2 and 5)	\$ 94,712,250	\$ 80,289,544	\$ 71,669,021
Cash and equivalents (Note 2)	6,347,791	920,307	2,680,127
Short-term investments (Note 2)	1,999,000	1,449,000	1,450,000
Investments (Notes 2 and 4)	9,519,617	8,210,991	8,554,699
Accrued interest receivable	399,876	409,033	326,711
Other assets	<u>623,202</u>	<u>308,208</u>	<u>375,855</u>
TOTAL ASSETS	<u>\$113,601,736</u>	<u>\$ 91,587,083</u>	<u>\$ 85,056,413</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Interest bearing investment obligations (Notes 6 and 9)	\$ 94,035,843	\$ 80,597,933	\$ 74,483,773
Line of credit	2,500,000	-	-
Church construction funds on deposit	5,532,811	3,731	356,787
Accrued interest payable	-	57	-
Accounts payable and other accrued expenses (Note 9)	<u>142,730</u>	<u>201,990</u>	<u>95,776</u>
Total liabilities	102,211,384	80,803,711	74,936,336
<u>NET ASSETS</u>			
Without donor restriction	10,584,469	10,000,205	9,326,916
With donor restriction	<u>805,883</u>	<u>783,167</u>	<u>793,161</u>
Total net assets	<u>11,390,352</u>	<u>10,783,372</u>	<u>10,120,077</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$113,601,736</u>	<u>\$ 91,587,083</u>	<u>\$ 85,056,413</u>

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

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2019
(With Comparative Totals for the Years Ended December 31, 2018 and 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018</u>	<u>2017</u>
REVENUES					
Interest on church building loans	\$ 4,299,568	10,716	\$ 4,310,284	\$ 3,599,834	\$ 3,257,602
Income on cash, cash equivalents and investments:					
Interest	235,526	4,904	240,430	192,902	162,500
Net appreciation (depreciation) in fair value of investments	<u>2,179</u>	<u>16,800</u>	<u>18,979</u>	<u>(10,738)</u>	<u>324</u>
Total income on cash, cash equivalents and investments	237,705	21,704	259,409	182,164	162,824
Contribution revenue	42,189	-	42,189	360	791,230
Other	124,946	-	124,946	302,803	91,917
Net assets released from restrictions	<u>9,704</u>	<u>(9,704)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	4,714,112	22,716	4,736,828	4,085,161	4,303,573
EXPENSES					
Interest on investment obligations	2,095,918	-	2,095,918	1,468,910	1,228,571
Interest on borrowings	25,984	-	25,984	11,288	-
Provision for loan losses (Note 2)	-	-	-	-	-
Management and common service fees (Note 9)	1,298,084	-	1,298,084	1,372,810	1,208,715
General and administrative	561,115	-	561,115	440,641	488,543
Contribution expense	4,800	-	4,800	10,000	-
Professional services	<u>143,947</u>	<u>-</u>	<u>143,947</u>	<u>118,217</u>	<u>160,027</u>
Total expenses	<u>4,129,848</u>	<u>-</u>	<u>4,129,848</u>	<u>3,421,866</u>	<u>3,085,856</u>
CHANGES IN NET ASSETS	584,264	22,716	606,980	663,295	1,217,717
NET ASSETS – BEGINNING OF YEAR	<u>10,000,205</u>	<u>783,167</u>	<u>10,783,372</u>	<u>10,120,077</u>	<u>8,902,360</u>
NET ASSETS – END OF YEAR	<u>\$10,584,469</u>	<u>\$ 805,883</u>	<u>\$11,390,352</u>	<u>\$10,783,372</u>	<u>\$10,120,077</u>

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

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

(With Comparative Totals for the Years Ended December 31, 2018 and 2017)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in net assets	\$ 606,980	\$ 663,295	\$ 1,217,717
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Net (appreciation) depreciation in fair value of investments	(18,979)	10,738	(324)
Contribution of loans and investments	-	-	(733,192)
Change in operating assets and liabilities:			
Accrued interest receivable	9,157	(82,322)	(33,067)
Other assets	(314,994)	67,647	(40,971)
Accrued interest payable	(57)	57	(107)
Accounts payable and other accrued expenses	(84,260)	106,214	(8,184)
Total adjustments	<u>(409,133)</u>	<u>102,334</u>	<u>(815,845)</u>
Net cash provided by operating activities	197,847	765,629	401,872
CASH FLOWS FROM INVESTING ACTIVITIES			
Amounts disbursed for church building loans	(34,673,877)	(28,737,344)	(22,737,413)
Principal repayments received on church building loans	20,259,524	20,116,821	10,123,104
Receipt (disbursement) of church construction funds on deposit	5,529,080	(353,056)	(506,455)
Net redemptions of short-term investments	(550,000)	1,000	1,034,000
Purchases of investments	(8,694,000)	(7,903,030)	(9,113,998)
Proceeds from sales and maturities of investments	<u>7,396,000</u>	<u>8,236,000</u>	<u>7,921,416</u>
Net cash used by investing activities	(10,733,273)	(8,639,609)	(13,279,346)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of investment obligations	70,592,641	66,411,520	40,439,567
Redemption of investment obligations	(57,154,731)	(60,297,360)	(36,871,768)
Receipt of tenant improvement credit	25,000	-	-
Borrowings on line of credit	<u>2,500,000</u>	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>15,962,910</u>	<u>6,114,160</u>	<u>3,567,799</u>
CHANGE IN CASH AND EQUIVALENTS	5,427,484	(1,759,820)	(9,309,675)
CASH AND EQUIVALENTS – BEGINNING OF YEAR	<u>920,307</u>	<u>2,680,127</u>	<u>11,989,802</u>
CASH AND EQUIVALENTS – END OF YEAR	<u>\$ 6,347,791</u>	<u>\$ 920,307</u>	<u>\$ 2,680,127</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	<u>\$ 2,121,959</u>	<u>\$ 1,480,141</u>	<u>\$ 1,228,678</u>

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

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization

The United Church of Christ Cornerstone Fund, Inc. (the "Fund") was incorporated in 1993 as a not-for-profit corporation in Indiana for the purpose of assisting churches affiliated with the United Church of Christ ("UCC") in financing church buildings and expansion of existing structures. The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Fund is affiliated with the UCC, a not-for-profit entity located in Cleveland, Ohio. The Fund pays UCC Common Services Corporation for personnel costs and remits common service fees for human resources, accounting, and other functions. Rent for office space is paid to 700 Prospect Corporation, an affiliated entity through the UCC.

Note 2. Summary of Significant Accounting Policies

- A. **Basis of Accounting** – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Fund has reported information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions represent resources received without time or purpose restriction. Net assets with donor restrictions result from timing differences between the receipt of funds and the incurrence of the related expenses. The Fund reports gifts of cash and other assets as revenues with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.
- B. **Adoption of New Accounting Principle** – During the year ended December 31, 2019, the Fund adopted Accounting Standards Codification 606, *Revenues from Contracts with Customers*. The Fund implemented the standard on a modified retrospective approach with no effect on previously recognized contracts.
- C. **Revenue Recognition** – Interest on church building loans is recognized as revenue in the period it is earned. If a loan is placed on nonaccrual status, all accrued and unpaid interest is reserved for. There was no reserved accrued interest as of December 31, 2019, 2018 and 2017.

The Fund recognizes contributions as revenue in the period in which the pledge (promise to give) is received. The Fund considers all contributions to be without donor restrictions unless specifically restricted by the donor.

The Fund performs management and accounting services for an affiliated entity under the terms of a management contract. For performance obligations related to these services, control transfers to the affiliate upon completion of the services. Revenues related to these services are recognized as the services are performed, generally on a monthly basis. Revenues recognized under this contract were \$102,000, \$95,000 and \$27,000 for the years ended December 31, 2019, 2018 and 2017, respectively. This contract was terminated effective December 31, 2019.

- D. **Use of Estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

- E. Cash and Equivalents – The Fund considers all highly liquid debt instruments purchased with an original maturity of three months or less and investments in money market and short-term mutual funds to be cash equivalents. The Fund places its temporary cash investments with various financial institutions, which may exceed federally insured amounts at times and may exceed reported values due to outstanding checks.
- F. Short-Term Investments – Short-term investments consist of certificates of deposit purchased with original maturities of greater than three months, but are not held for long-term investment. Short-term investments are carried at cost. These certificates of deposit are placed with various financial institutions, but are monitored to ensure they are within federally insured limits.
- G. Church Building Loans Receivable – Loans are made to fund the construction, acquisition, and expansion of church facilities. Mortgages are held against these properties and are stated at their unpaid principal balance. Repayment of the loans is dependent upon many factors, including the continued membership and support of the borrower and the borrower's or Fund's ability to sell the underlying property in the event of foreclosure. The Fund serves as a disbursing agent for certain church borrowers. Under these agreements, the borrowers deposited funds with the Fund to pay construction draws prior to advances being disbursed on the construction loans. As of December 31, 2019, 2018 and 2017, \$5,532,811, \$3,731 and \$356,787, respectively, remained and was recorded as church construction funds on deposit.
- During 2017, the Fund originated two loans in which it obtained a participation from the Church Building Loan Fund ("CBLF"), an affiliated agency of the UCC. The Fund maintains the servicing of the loans and, through the participation agreements, remits the allocated portion of principal and interest to CBLF. Loan participations are presented net of the related outstanding loan balance they are associated with and amounted to \$11,440,826, \$9,531,446 and \$9,455,311 as of December 31, 2019, 2018, and 2017, respectively.
- H. Allowance for Loan Losses – An allowance is recorded to reduce the loan balance if the level of delinquencies indicates probable uncollectible balances in the future, based upon management's review of the loan portfolio and past collection history. Loans are charged off when management determines that all or a portion of the balance will not be collected through payment or liquidation of underlying collateral. Loans are generally placed on nonaccrual status when greater than 90 days past due. Because the Fund's loans are receivable only from UCC congregations and affiliated agencies, management does not believe that further segmentation of the portfolio as required by ASC 310 would be meaningful. The allowance for loan losses was \$-0- as of December 31, 2019, 2018 and 2017. No loans were charged off during the years 2019, 2018 and 2017. No loans were ninety days or more past due as of December 31, 2019, 2018 and 2017. No loans were on nonaccrual status as of December 31, 2019, 2018 and 2017.
- I. Loan Origination Costs – Deferred costs of processing loan applications are included in other assets and amortized on a straight line basis for interest only and credit line loans, and for all other loans on a level yield method over the original lives of the loans. The net unamortized origination costs were \$225,042, \$224,736 and \$222,575 as of December 31, 2019, 2018 and 2017, respectively, and are included in other assets in these financial statements.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

- J. Fair Value of Financial Instruments – The carrying values of cash and equivalents, accounts and other receivables, prepaid and other assets, and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments.

The Fund estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

Level 1 – Quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs in which little or no market data exists.

- K. Liquidity – The general order of liquidity of assets is cash and equivalents, investments, loans and accrued interest receivable, and other assets. The general order of liquidity of liabilities is interest bearing demand investment obligations, balances on the line of credit, accounts payable and other accrued expenses, and interest bearing term obligations (including accrued interest).
- L. Noncash Transactions – The Fund had noncash activity related to church building loan renewals which amounted to approximately \$2,052,100, \$5,254,800 and \$3,543,000 in 2019, 2018 and 2017, respectively. In addition, during 2017, the Fund received a contribution of outstanding loans of \$447,557.
- M. Reclassifications – Certain 2018 and 2017 information has been reclassified to conform with 2019 presentations.
- N. Comparative Information – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Fund's financial statements for the years ended December 31, 2018 and 2017, from which the summarized information was derived.
- O. Subsequent Events – Management has performed an analysis of the activities and transactions subsequent to December 31, 2019 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2019. Management has performed their analysis through March 11, 2020.

Note 3. Reserve Requirements and Liquidity

The Fund regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Fund considers all expenditures related to its ongoing lending and investment activities as well as the conduct of services undertaken to support those activities to be general expenditures.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Reserve Requirements and Liquidity (Continued)

The Fund has a policy requiring the Fund at all times to maintain cash and/or investments with an aggregate market value equal to at least 10% of the principal balance of the Fund's outstanding interest bearing investment obligations, and at least 1% of the principal balance of the Fund's outstanding church building loans receivable. These reserve requirements were met during 2019, 2018 and 2017.

As of December 31, 2019, the Fund's financial resources available within one year to meet general expenditures were as follows:

Cash and equivalents	\$ 6,347,791
Short-term investments	1,999,000
Current maturities of long-term investments	3,687,831
Current maturities of loans receivable	<u>13,617,652</u>
Total	<u>\$25,652,274</u>

In addition to these funds, as disclosed in Note 7, the Fund has a line of credit available for short-term cash flow needs and intends on issuing additional investment obligations as described in Note 6 to provide for additional liquidity.

Note 4. Investments

At December 31, 2019, 2018 and 2017, the Fund's investments consisted of certificates of deposit with maturities ranging from 6 months to 60 months and holdings in a pooled fixed income fund administered by United Church Funds ("UCF") as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 9,134,831	\$ 7,918,770	\$ 8,252,066
UCF investments	<u>384,786</u>	<u>292,221</u>	<u>302,633</u>
Total	<u>\$ 9,519,617</u>	<u>\$ 8,210,991</u>	<u>\$ 8,554,699</u>

The Fund's investments in certificates of deposit are carried at cost, which approximates market value, based upon market rates for similar certificates of deposit, generally a Level 2 method. Funds invested with UCF are presented at fair value based upon the stated value per unit as quoted by UCF as a practical expedient, generally a Level 2 method. The UCF investment has daily liquidity.

Scheduled maturities of the Fund's investments in certificates of deposit at December 31, 2019 were:

	<u>Certificates of Deposit</u>
2020	\$ 3,687,831
2021	2,339,000
2022	1,678,000
2023	880,000
2024	<u>550,000</u>
Total	<u>\$ 9,134,831</u>

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Church Building Loans

Virtually all church building loans are collateralized by a mortgage or deed of trust. The weighted average interest rate on all outstanding loans is 5.06%, 5.00% and 4.88% at December 31, 2019, 2018 and 2017, respectively.

The principal payments of loans scheduled to be received, net of participations, are:

2020	\$13,617,652
2021	7,685,144
2022	12,250,490
2023	1,900,435
2024	2,025,676
Thereafter	<u>57,232,853</u>
Total	<u>\$94,712,250</u>

As of December 31, 2019, 2018 and 2017, the outstanding balances of lines of credit were \$3,008,332, \$2,141,900 and \$1,659,425, respectively.

As of December 31, 2019, 2018 and 2017, the Fund has approved commitments of \$13,594,732, \$18,367,642 and \$18,394,784, respectively, for both additional loans and the unfunded balances of existing construction loans and lines of credit.

Note 6. Interest Bearing Investment Obligations

The Fund has issued and sold interest bearing investment obligations to investors who reside in various states where the Fund is registered or is exempt from registration to offer and sell to investors. The obligations outstanding are summarized as follows:

Type of Account	Weighted Average Interest December 31, 2019	December 31,					
		2019		2018		2017	
		Amount	%	Amount	%	Amount	%
Demand obligations:							
Individuals	0.67 %	\$ 1,124,028	1.20 %	\$ 907,759	1.41 %	\$ 1,049,722	1.40 %
Churches	<u>0.65</u>	<u>4,136,414</u>	<u>4.40</u>	<u>6,383,836</u>	<u>7.57</u>	<u>5,637,217</u>	<u>5.66</u>
Total demand	0.65	5,260,442	5.60	7,291,595	8.98	6,686,939	7.06
Term obligations:							
Individuals	2.72	34,436,607	36.62	27,165,691	33.06	24,624,007	33.68
Churches	2.53	52,164,335	55.47	44,015,501	55.23	41,140,353	56.24
IRAs	<u>2.38</u>	<u>2,174,459</u>	<u>2.31</u>	<u>2,125,146</u>	<u>2.73</u>	<u>2,032,474</u>	<u>3.02</u>
Total term	<u>2.54</u>	<u>88,775,401</u>	<u>94.40</u>	<u>73,306,338</u>	<u>91.02</u>	<u>67,796,834</u>	<u>92.94</u>
Total investment obligations	<u>2.49 %</u>	<u>\$ 94,035,843</u>	<u>100.00 %</u>	<u>\$ 80,597,933</u>	<u>100.00 %</u>	<u>\$ 74,483,773</u>	<u>100.00 %</u>

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Interest Bearing Investment Obligations (Continued)

The interest bearing term investment obligations at December 31, 2019 mature as follows:

2020	\$48,325,839
2021	19,601,239
2022	13,372,663
2023	4,589,058
2024	<u>2,886,602</u>
Total	<u>\$88,775,401</u>

The interest bearing term investment obligations generally mature over a range of six months to five years and are renewable automatically at maturity, unless the investor requests payment. Term deposits with balances greater than \$250,000 were \$19,713,093, \$16,431,218 and \$15,019,481 as of December 31, 2019, 2018 and 2017, respectively.

The Fund sells/renews interest bearing investment obligations subject to the laws and regulations for each of the states in which it currently operates. Changes in federal and/or state laws, rules, or regulations regarding the sale of debt securities of religious, charitable, or other nonprofit organizations may impact the Fund's ability to offer its investment obligations in the future. As of 2019, the Fund is not duly registered to sell interest bearing investment obligations in one state. The Fund is working to register or qualify for exemption from registration to sell investment obligations in this state.

Note 7. Financing Arrangement

Effective November 30, 2017, the Fund obtained a line with Peoples Bank which provides for maximum borrowing of \$5,000,000. Effective November 30, 2019, the maximum borrowing was increased to \$6,000,000. Interest on outstanding balances is due monthly at a varying rate dependent upon the amount outstanding and can be based on either the one-month LIBOR rate or the prime rate with a minimum rate of 2.00% for balances less than \$3,000,000 and 2.75% for balances greater than \$3,000,000. As of December 31, 2019, there was \$2,500,000 outstanding on this line of credit carrying an interest rate of \$2.45%. There were no balances outstanding on this line of credit as of December 31, 2018 and 2017. The People's Bank line of credit matures November 30, 2021.

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions comprise loan and investment funds for the benefit of churches in the Missouri Mid-South Conference. During 2017, the Fund received a contribution from a foundation of \$58,038 in cash, investments amounting to \$285,635, and loans receivable amounting to \$447,557. Interest income earned on the loans is accumulated in the fund to distribute under future loans.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 8. Net Assets With Donor Restrictions (Continued)

As of December 31, 2019, 2018 and 2017, loans outstanding under this program were \$508,845, \$572,144 and \$438,177, respectively, and are included in church building loans. As of December 31, 2019, 2018 and 2017, cash and investment balances were \$297,038, \$211,023 and \$354,984, respectively, and are included in investments. During 2019 and 2018, the Fund awarded \$4,800 and \$10,000, respectively, to a church in the Missouri Mid-South Conference.

Note 9. Balances and Transactions With Related Parties

The Fund recorded personnel expense of \$1,133,107 in 2019, \$1,221,902 in 2018 and \$1,044,374 in 2017. Common services fees totaled \$134,378 in 2019, \$144,278 in 2018 and \$147,511 in 2017. The Fund rents its office space under an operating lease with 700 Prospect Corporation, an affiliate of the UCC, which was set to expire December 31, 2021. The Fund signed a new ten-year lease effective January 1, 2019, which included a \$25,000 tenant improvement payment from the landlord. Rental payments are adjusted annually based upon changes in 700 Prospect Corporation's real estate taxes.

Anticipated rentals under the lease agreement are as follows:

2020	\$ 69,720
2021	71,164
2022	72,637
2023	74,140
2024	75,673
Thereafter	<u>318,642</u>
Total	<u>\$681,976</u>

Office space expense for the Fund was \$75,028 in 2019 and was \$56,130 in 2018 and 2017. As of December 31, 2019, the Fund has recorded a deferred lease expense liability of \$29,224, which is included in accounts payable and other accrued expenses in the statement of financial position.

Accrued expenses include amounts due to UCC Common Services Corporation and other related parties for fees and other reimbursable costs of \$14,437 in 2019, \$17,503 in 2018 and \$17,092 in 2017.

The Fund has interest bearing investment obligations due to directors and employees of the Fund of \$207,748, \$176,953 and \$90,497 as of December 31, 2019, 2018 and 2017, respectively.

Note 10. Retirement Plan

Substantially all employees of the Fund are covered by a noncontributory defined contribution retirement plan administered by The Pensions Boards - United Church of Christ, an affiliate of the UCC. Contributions to the plan are at 14% of employees' annual salaries. At retirement, employees may select from several annuity options available for benefits. Effective July 2018, the Fund provided SEP accounts to which Fund contributions were made. Retirement contributions amounted to \$105,091 in 2019, \$113,092 in 2018 and \$96,407 in 2017.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 11. Functional Expenses

The functional classification of expenses is a method of grouping expenses according to the purpose or activity for which costs are incurred. Interest expense on investment obligations and on borrowings to fund church loans are allocated directly to program. All other expenses are allocated based upon an estimated proportion of staff time spent on the related function. The classification of expenses by function for the Fund is as follows for the years ended December 31, 2019 and 2018:

	2019		
	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Interest expense	\$2,121,902	\$ -	\$2,121,902
Salaries and benefits	884,687	197,420	1,082,107
Lending services	256,051	-	256,051
Marketing	73,189	164,379	237,568
Occupancy costs	127,211	82,194	209,405
Professional fees	127,262	16,685	143,947
Administration	-	78,868	78,868
	<u>\$3,590,302</u>	<u>\$ 539,546</u>	<u>\$4,129,848</u>

	2018		
	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Interest expense	\$1,480,198	\$ -	\$1,480,198
Salaries and benefits	954,073	218,330	1,172,403
Program	248,546	-	248,546
Marketing	15,688	115,172	130,860
Occupancy costs	117,043	83,365	200,408
Professional fees	104,259	13,958	118,217
Administration	-	71,234	71,234
	<u>\$2,919,807</u>	<u>\$ 502,059</u>	<u>\$3,421,866</u>

Note 12. Capital Ratios

Financial institutions regulated by federal or state agencies have certain capital ratios that are used to determine whether the institution is adequately capitalized and are generally considered to be well capitalized if their net worth is at least 7% to 8% of risk weighted assets (generally consisting of loans receivable and equity and debt security holdings), depending on the type of institution. While the Fund is not regulated or required to meet the capital ratios, they are beneficial for bench marking purposes. The Fund's risk weighted assets include its cash and equivalents, investments, and church building loans receivable and are weighted at 100%. The Fund's net assets to risk weighted assets and total assets were as follows for years ended December 31:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net assets to risk weighted assets	10.1%	11.9%	12.0%
Net assets to total assets	10.0%	11.8%	11.9%