

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.®

700 Prospect Avenue
Cleveland, Ohio 44115-1100
(216) 736-3829
(888) 822-3863
www.cornerstonefund.org

\$60,000,000

<u>Unsecured Notes Offered</u>	<u>Minimum Investment</u>	<u>Interest Rate*</u>	<u>Yield at Maturity If Compounded</u>
Flexible Demand Notes	\$50	.750%	.751%
6 Month Notes	\$500	1.125%	1.128%
12 Month Notes	\$500	1.375%	1.380%
18 Month Notes	\$500	1.625%	1.632%
30 Month Notes	\$500	1.875%	2.883%
60 Month Notes	\$500	3.000%	3.022%

* Interest rate may vary from time to time. If different from above, applicable interest rates at the time of purchase will be reflected in a Rate Sheet accompanying the Application to Purchase. Certain Notes are also available as investments for Individual Retirement Accounts.

These securities may either be registered or exempt from registration in the various states or jurisdictions in which they are offered or sold by the issuer. This offering circular has been filed with the securities administrators in such states or jurisdictions that require it for registration or exemption.

These securities are issued pursuant to a claim of exemption from registration under Section 3 (a)(4) of the Federal Securities Act of 1933. A registration statement relating to these securities has not been filed with the United States Securities and Exchange Commission.

These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not determined the accuracy, adequacy, truthfulness, or completeness of this document and have not passed upon the merit or value of the securities, or approved, disapproved or endorsed the offering. Any representation to the contrary is a criminal offense.

In 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 or the United Church of Christ Cornerstone Fund, Inc.® (“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, or such other persons or entities having a reasonable association or affiliation with the Limited Class, as further defined on page 21.

There are no underwriters or outside selling agents involved 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 \$125,000 per year.

Your purchase of Notes is subject to certain risks. Please read the “Risk Factors” beginning on page 5.

You are encouraged to consider the concept of investment diversification when determining 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 the 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.

Please read the information applicable to specific states on the next pages. This information will apply to you if you are a resident of one of those states.

May 1, 2011

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.

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

Louisiana: The Demand Notes are not being offered and cannot be sold in Louisiana.

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**

Pennsylvania Residents: The amount of Notes being registered and offered and sold in Pennsylvania is limited to \$3,000,000 during each registration period.

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 Securities Commission 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 Securities Commission, 1010 North Seventh Street, Harrisburg, Pennsylvania. 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 Commission during normal business hours, which are Monday through Friday, 8:30 a.m. to 5:00 p.m. Telephone number: (717) 787-8061.

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: As a prospective purchaser, you are entitled to review financial statements of our organization which are included in this Offering Circular. Receipt of a Notice of Exemption by the Washington Administrator of Securities does not mean that the Administrator has approved or recommended the Notes or that the Administrator has determined that this Offering Circular is accurate or complete. It is illegal for anyone to tell you otherwise. The return of your funds to you at the time of maturity of your Note is dependent upon our financial condition.

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, including the audited financial statements. See "Definitions" on page 27.

- 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 6 Month and 12 Month to 60 Month term Investment Notes. The present terms and minimum investment available at any particular time are shown in the Application to Purchase. Available interest rates are shown on the Interest Rate Sheet that accompanies the Application to Purchase. Terms and interest rates are subject to change without notice. Flexible Demand Notes have an adjustable interest rate, adjustable quarterly with 15 days prior notice to you. On the term Investment 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 Investment 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 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 Note. Generally, you cannot redeem your Investment Notes prior to maturity. When early redemption is allowed, normally there is an early redemption penalty. We also offer our Demand Notes and Investment Notes as investments for funds deposited to Individual Retirement Accounts. See "DESCRIPTION OF THE NOTES".
- 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 them to make loans to Church Organizations to finance capital improvement projects. We invest a portion of the proceeds in furtherance of our policy of maintaining a reasonable degree of liquidity. 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, that meets regularly two times a year. The followings executive officers are responsible for our day-to-day operations:

Gordon J. Gilles, President and CEO
Mary Seymour, Vice President
Caroline Martinson, Secretary
John W. Graham, Treasurer
Vilma C. Thompson, 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 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 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 216-736-3829 or 888-822-3863 or visit our website at www.cornerstonefund.org.

9. **Selected Financial Information.** The following summarizes selected financial information for the fiscal year ending December 31, 2010

As of December 31, 2010

Cash and Investments	\$9,211,268
Total Outstanding Loans	56,199,902
Unsecured Loans -Amount	0
Unsecured Loans -% of Total Loans	0%
Loan Delinquencies* as a % of Total Loans	1.08%
Total Assets	66,125,827
Outstanding Notes Payable	59,161,863
Unrestricted Net Assets	6,787,850

Year Ended December 31, 2010

Revenues, including net depreciation of investments	3,819,754
Expenses	2,789,830
Increase in Unrestricted Net Assets before Contribution	1,029,924
Contribution to National Basic Support **	102,992
Increase in Unrestricted Net Assets	926,932

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

** Contribution to National Basic Support of Our Church's Wider Mission based on a percentage of increase in unrestricted net assets as determined by the Board of Directors.

See "SUMMARY OF OPERATIONS AND OTHER 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 insure 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. Our Notes are not insured by FDIC or SIPC or any other government agency.
- Limit on Senior or Secured Debt.** We have no senior or secured debt outstanding at the present time and the Notes will be of equal rank with all of our other Notes and anticipated future offerings of debt securities. If we do create any senior or secured indebtedness in the future, the amount will not exceed 10% of our tangible assets.
- No Sinking Fund or Trust Indenture.** We have not established any sinking fund or trust indenture to provide for repayment of the Notes. The lack of a sinking fund or trust indenture may adversely affect our ability to repay the principal and interest on the Notes when due.
- 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. See "DESCRIPTION OF NOTES-Early Redemption and Penalty" on page 20.
- Invested Funds Subject to Market Risks.** Our assets invested in readily marketable securities are subject to various market risks which may result in losses if the market values of our investments decline and which could have an adverse impact upon our liquidity and our ability to repay our Notes.

7. **Term Notes Automatically Renewed.** We automatically renew most term Notes at maturity for an additional like term unless within 30 days after the end of the term, you send the Note along with 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 Notes upon maturity, the new extension interest rate may be less than the interest rate on the original Note. The new interest rate will be the applicable interest rate for the term of Note being extended at the time of the extension.
8. **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 85% 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 and 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. In 2011, \$33,787,857 of Term Notes will mature. In addition, as of December 31, 2010, there were \$2,393,052 of Demand Notes, which could be called for redemption during 2011.
9. **Competition With Other Institutions.** Other institutions may offer notes or other securities with a higher rate of return and/or notes or other securities which 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.
10. **Changes in Securities Laws – Sales of Notes Could Be Curtailed.** Changes in federal and state laws, rules or regulations 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.
11. **No Tax Benefits and Interest Taxable.** There are no income tax benefits with respect to your investment in the Notes. Interest paid or payable on the Notes will be taxable as ordinary income to you regardless of whether interest is paid or retained and compounded. Investors may be deemed to receive additional taxable interest under section 7872, and all investors should consult their tax advisors regarding the special income tax rules applicable to loans and investments. At this time, investors with investments greater than \$250,000 in the aggregate with Cornerstone Fund particularly should be aware of the possibility of being taxed on imputed income if loans are made at below-market interest rates. However, that limit may be subject to change, so all investors should consult their tax advisors on this matter.
12. **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 they 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 in which the Church Organization is located. 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.
13. **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.
14. **Line of Credit.** We currently have an open line of credit and a demand line of credit. 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, 2010, we did not have outstanding monies owed under our lines of credit.
15. **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, 2010, we did not maintain any loan loss reserve.

16. **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.

17. **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. 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.

18. **Construction Loan Risks.** Certain of our borrowers will be subject to risks associated with construction. Some of our borrowers 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: 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; the contractor may not post a completion bond.

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 2011 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. 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

The 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 2000, 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 thirty-seven geographic conferences, many of which encompass a single state, and one 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 which 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 thirty-eight conferences and the directors of the Covenanted Ministries of the United Church of Christ 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 is the presiding administrative officer of the General Synod and its Executive Council. The Executive Council meets twice a year and acts on behalf of the General Synod between its biennial meetings.

Local Church Ministries

Local Church Ministries is one of the Covenanted Ministries of the United Church of Christ which operate in the national setting. The Local Church Ministries establishes and maintains assigned mission work of the United Church of Christ in the United States.

The 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.

The Cornerstone Fund's Services

In furtherance of our mission, we provide a variety of services to Church Organizations and clergy of the United Church of Christ. We are engaged primarily in assisting Church Organizations in the United States in planning and financing their capital projects.

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 or the United Church Board for Homeland 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 \$569,777, common services fees of \$107,062 and office space expense of \$52,200 in 2010 to service organizations related to the United Church of Christ. In addition, certain affiliated organizations, as well as directors and employees of the Cornerstone Fund and affiliated organizations, of the United Church of Christ have purchased our Notes. We

also have billed certain expenses to Local Church Ministries and we have Notes that are held by certain affiliates of the United Church of Christ. See Notes to the Financial Statements, Note 8, 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 they 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. See "HISTORY AND OPERATIONS". During the year ended December 31, 2010, we advanced \$12,808,027 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, 2010, we had loan commitments or unfunded portions of existing loans totaling \$12,405,966, as to which monies probably will be advanced during 2011. 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 2011 as the proceeds of the sale of our Notes are received.

We will invest a portion of the proceeds pending their use for loans or in furtherance of our policy of maintaining a reasonable degree of liquidity. See "FINANCING THE CORNERSTONE FUND'S ACTIVITIES - Cash and Invested Funds".

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 \$125,000 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".

We do not presently anticipate that we will need any proceeds from the sale of our Notes to meet the interest payments or redemptions on our outstanding Notes. However, it may be necessary for us to use a portion of the proceeds along with our existing general funds to meet principal repayments on future outstanding Notes.

THE CORNERSTONE FUND'S LENDING ACTIVITIES

General

We use the proceeds from the sale of Notes to make loans to Church Organizations. Pending the utilization of the funds, the Cornerstone Fund may invest these proceeds.

We generally make first mortgage secured loans at interest rates generally equivalent to or slightly lower than prevailing commercial rates. The average of all outstanding balances on loans secured by real property is approximately \$253,153.

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 personal property or guaranteed by certain Church Organizations.

At December 31, 2010, the aggregate principal balance of interest-bearing, secured loans was \$56,199,902, earning a weighted average interest rate of 6.58%.

Of our loans at December 31, 2010, we had:

<u>Type of loan</u>	<u>Aggregate Principal Balance</u>	<u>Percentage of Total Loans</u>
Secured loans	\$56,199,902	100 %
Unsecured loans	0	0 %

We also make loans to Church Organizations pursuant to our Related Investment Plan. Under the Related Investment Plan, which is not required, if a local church requests funds for a capital project, the church may earn an interest rebate 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, Executive 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 six months, one year or three 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.

We normally require a loan to value of 50% or less on church owned property, including property being purchased. We use customary first mortgages or first trust deeds as security until the loan is repaid. At closing, the borrower pays all closing costs, including recording fees and mortgagee title insurance costs.

Pursuant to general guidelines, the amount of any loan, or the aggregate amount of all loans, to any one borrower will not exceed \$1,000,000 or 15% of the aggregate principal balance of all outstanding loans 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 50% 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 also offer a Revolving Line of Credit loan with a maximum loan amount of \$75,000. 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 5 years. The interest rate changes as the base index changes. The base index is 3 Month LIBOR.

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 does not employ any appraisers and does not normally obtain independent appraisals as to the value of real property securing the loans it makes. The Cornerstone Fund does, however, generally make 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 50% of the value of the security and the annualized debt service on the loan should not exceed 28% 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 determine the loan policies which are subject to revision 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, 2010 we had 222 loans outstanding having an aggregate principal balance of \$56,199,902, of which there were 11 loans which when fully funded will have a principal balance in excess of \$1,000,000. At December 31, 2010, we had 2 loan commitments which would result in a loan having a principal balance 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, to one borrower

having a principal balance or anticipated principal balance of the greater of \$1,000,000 or 15% of the aggregated principal balance 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, 2010, the allowance for loan losses was \$0. Historically, no loans have been charged off since we began operations in 1993. See Note 2.D to the Financial Statements at the end of the Offering Circular.

Loan Delinquencies

The following table sets forth our loans on which interest and/or principal payments were delinquent for over ninety (90) days at December 31 for the last three years:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Number of loans	2	3	1
Aggregate principal balance	\$609,478	\$792,269	\$535,829
% of aggregate principal balance of all loans	1.08%	1.46%	1.05%
Aggregate interest and/or principal payments owing	\$22,477	\$23,406	\$31,833

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, Executive Committee or Board of Directors, as applicable depending upon the loan amount, all of which are subject to ratification by our Board of Directors.

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

Offer and Sale of Notes

Prior to 1995, neither the Cornerstone Fund nor any of its predecessor organizations sold Notes or other securities. They had relied on substantial gifts and endowments and the interest earned as a source of funds for the Church Building Revolving Loan Fund. Effective as of October 1, 1993, approximately \$3,204,975 of mortgage loans originally funded and administered by the Church Building Revolving Loan Fund were transferred to the Cornerstone Fund.

Since we began selling our Notes in 1995, our sale of Notes has increased each year. We anticipate that sales will continue to increase and that during 2011 and thereafter, our primary means of obtaining the funds necessary to conduct our operations will be the receipt of proceeds from the sale of our Notes to Investors in a number of states. In addition, we may receive funds from our Private Investment Program. See "FINANCING THE CORNERSTONE FUND'S ACTIVITIES - Private Investment Program".

Outstanding Notes

The following describes our outstanding Notes at December 31, 2010:

<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>
Investment Notes	2,957	2.45%	\$56,768,811	95.96%
Demand Notes	<u>201</u>	<u>0.75%</u>	<u>2,393,052</u>	<u>4.04%</u>
TOTALS	<u>3,158</u>	<u>2.38%</u>	<u>\$59,161,863</u>	<u>100.00%</u>

At December 31, 2010, our total outstanding Notes represented 99.7% of our total liabilities. We have no secured liabilities.

Proceeds from the Sale of Notes and Redemptions in 2010

We received \$17,914,133 in cash proceeds in 2010 from new sales of Notes. Also, approximately \$32,560,000 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, 2010. We had total redemptions of Notes in 2010 of \$16,928,988. We cannot estimate with any degree of certainty the total amount of cash proceeds we will receive in 2011 from new sales of Notes. In addition, we anticipate that out of the outstanding principal and accrued interest on Notes maturing in 2011, 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 percentage to be paid on the Notes and by determining if any outstanding Notes should be called for redemption upon maturity.

Private Investment Program

In addition to the offer and sale of Notes, we have adopted a Private Investment Program pursuant to which a limited number of Church Organizations may invest funds with us, generally on a short-term interest-bearing basis. The outstanding principal balances due and owing these Church Organizations are referred to as "Investment Balances". We add the proceeds from the Private Investment Program to our general funds and use them in the same manner as proceeds from the sale of our Notes. See "USE OF PROCEEDS".

The Investment Balances like the Notes are unsecured obligations. The Private Investment Program is available only to certain Church Organizations. We negotiate the terms available with each Church Organization based upon the amount of investment and in accordance with the following guidelines: terms of demand to five years; interest rates from .50% to 9%; and a minimum investment of \$100,000. We do not anticipate that Investment Balances will exceed in aggregate \$5,000,000 during 2011. We do not offer the Private Investment Program to individuals, congregations or other Church Organizations other than those designated. At the present time, we have no Notes outstanding that have been sold to any Church Organizations under the Private Investment Program and, therefore, presently there are no Investment Balances outstanding.

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, 2010:

<u>Demand and Year</u>	<u>Principal Balance</u>
Demand	\$ 2,393,052
2011	33,787,857
2012	13,214,511
2013	4,361,592
2014	1,671,904
2015	<u>3,732,947</u>
TOTAL	<u>\$59,161,863</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>
2010	82.0%
2009	87.6%
2008	89.3%
2007	83.3%
2006	82.9%

Loans to Church Organizations

In addition to the sale of our Notes and our Private Investment Program, we generate funds for operations from the income received on our outstanding loans. At December 31, 2010, the number of loans, weighted average interest rate, and aggregate principal balance on our loans were as follows:

<u>Description</u>	<u>Number of Loans</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>
Secured loans	222	6.58%	\$56,199,902
Unsecured Loans	<u>0</u>	<u>0%</u>	<u>0</u>
TOTAL	<u>222</u>	<u>6.58%</u>	<u>\$56,199,902</u>

At December 31, 2010, our total outstanding loans represented 84.9 % of our total assets.

Interest on Loans

For the last 3 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>
2008	\$ 3,464,441	\$ 7,841,423
2009	3,573,722	19,589,704
2010	3,617,221	10,820,232

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, 2010:

<u>Year</u>	<u>Principal Repayments</u>
2011	\$ 6,606,104
2012	3,679,795
2013	7,320,797
2014	12,790,921
2015	10,993,239
Thereafter	<u>14,809,046</u>
TOTAL	<u>\$56,199,902</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 and marketable interest-bearing securities from which we hope to generate interest that provides further funds for our operations. At December 31, 2010, 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	.27%	\$3,424,956
CERTIFICATES OF DEPOSITS	3.51%	2,850,000
GOVERNMENT SECURITIES	<u>4.43%</u>	<u>2,936,312</u>
TOTAL	<u>2.60%</u>	<u>\$9,211,268</u>

At December 31, 2010, our Cash and Invested Funds represented 15.6% of the aggregate principal balance of our outstanding Notes and Investment Balances, which is in compliance with our policy as stated below.

The following shows our interest income from our Invested Funds for the last 3 years:

<u>Year</u>	<u>Interest Income</u>
2008	\$ 302,762
2009	289,550
2010	258,659

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>
2008	\$ 222,949
2009	(181,005)
2010	(70,526)

Investment Policies

At the present time it is our policy to invest in only cash equivalents (highly liquid debt instruments purchased with an original maturity of three months or less and investments in money market and short-term mutual funds and jumbo long term certificates of deposit) and in U.S. government securities.

Our Board of Directors is responsible for setting and changing our investment policies. The Finance Committee is responsible for directing the investments. See "MANAGEMENT-Directors" for the names of the members of the Finance 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 for new loans increase, 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 net unrestricted assets over liabilities, or unrestricted net assets, of \$6,787,850, \$5,860,918 and \$5,494,540 at December 31, 2010, December 31, 2009, and December 31, 2008, respectively. See "SUMMARY OF OPERATIONS AND OTHER FINANCIAL INFORMATION".

Lines of Credit

We have an \$8,000,000 revolving line of credit with KeyBank NA which expires April 30, 2013. We borrow under this line of credit from time to time to fund loans to Church Organizations, when revenues from other sources are not sufficient. We had no monies borrowed under this line of credit as of December 31, 2010. Interest is payable quarterly at the one month LIBOR rate, plus 1.85%. We also are required to pay a commitment fee of .10% quarterly on the average daily unused amount of the line of credit. The line of credit is collateralized by marketable securities currently held or to be held by Local Church Ministries.

We also have a \$5,000,000 demand line of credit with KeyBank NA that cannot be drawn upon until such time as we may have drawn the full amount of the revolving line of credit and then only with the specific approval of the Finance Committee of the Board of Directors. As of December 31, 2010, the outstanding balance on this demand line of credit was \$-0-. This demand line of credit also is collateralized by marketable securities currently held or to be held by Local Church Ministries.

No assets of the Cornerstone Fund have been pledged as security of these lines of credit. As a matter of policy, to the extent this line of credit may be otherwise secured, it will not be secured by more than 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 which begin on page 25.

<u>Description</u>	<u>2010</u>	<u>2009</u>	<u>As of December 31 2008</u>	<u>2007</u>	<u>2006</u>
Cash and Investments	\$9,211,268	\$11,864,809	\$7,970,184	\$ 8,791,409	\$ 7,879,567
Total outstanding Loans *	56,199,902	54,212,107	51,156,157	47,143,169	45,263,369
Unsecured loans -Amount	0	0	0	0	0
Unsecured Loans -% of Total Loans	0%	0%	0%	0%	0%
Loan Delinquencies** - of Total Loans	1.08%	1.46%	1.05%	0%	1.64%
Total assets	66,125,827	66,695,508	59,676,354	56,476,706	53,674,165
Outstanding Notes payable	59,161,863	58,176,718	54,006,351	51,360,741	48,938,941
Unrestricted Net assets	6,787,850	5,860,918	5,494,540	4,977,920	4,581,075
			<u>Year Ended December 31 2008</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues, including net (depreciation) appreciation of investments	3,819,754	\$3,693,842	\$3,996,638	\$3,817,250	\$3,370,615
Expenses	2,789,830	3,286,756	3,422,616	3,376,311	2,883,034
Increase in net assets before contribution	1,029,924	407,086	574,022	440,939	487,581
Contribution to National Basic Support and National Youth Event ***	102,992	40,708	57,402	44,094	48,300
Increase in net assets	926,932	366,378	516,620	396,845	439,281

* Balance of loans outstanding before deduction of allowance for loan losses.

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

*** Contribution to National Basic Support of Our Church's Wider Mission plus, in 2007, the contribution to the quadrennial denominational youth gathering, based in total on a percentage of increase in net assets as determined by the Board of Directors.

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, 2010, the aggregate principal balance of our outstanding Notes was \$59,161,863 and the aggregate principal balance on our outstanding loans was \$56,199,902. For the ten years from 2001 through 2010, we have had an increase in our unrestricted net assets, with an increase of \$926,932 in 2010 to \$6,787,850.

We expect a higher level of loan activity in 2011. At December 31, 2010 we had \$12,405,966 in loan commitments on which monies will be advanced in 2011. Also, in 2011, we anticipate that we will continue to receive proceeds from the sale of our Notes to Investors in a number of states. 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 2011 and thereafter, although we can give no assurance of this.

We have two lines of credit totaling \$13,000,000 upon which we can draw as necessary.

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, 2010, we had net assets of \$6,787,850 which were equal to 10.3% 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 and Investment Balances primarily 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 Notes and Investment Balances. At December 31, 2010, we had cash and Invested Funds of \$9,211,268 which were equal to 15.6% of our outstanding Notes.

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 2010, 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 1.70 to 1.

Loan Delinquencies

At December 31, 2010, we had 2 loans with principal and/or interest payments that were delinquent 90 days or more, the aggregate principal balance of which was \$609,478, or 1.08% of the aggregate principal balance of all loans.

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. However, we evaluate profitability on operating results alone. We had an

increase of our unrestricted net assets of \$926,932 in 2010. We have achieved a positive change in total unrestricted net assets in each of the last five years.

Future Plans and Activities

We intend to continue policies and procedures which 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 will 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 will 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

You will recognize neither gain nor loss for Federal income tax purposes, nor will you receive a charitable deduction, when you purchase a Note. You will be taxed on the interest earned as ordinary income in the year it is paid or accrued. If interest is accrued over the life of a Note and paid at the maturity date, you must nevertheless report the interest as income on your Federal income tax return and state income tax return, if applicable, as it accrues. If you hold your Notes until their maturity, you will not be taxed on the return of the principal purchase price or on the payment of previously accrued and taxed interest. Any excess will be interest income. Pursuant to the Tax Equity and Fiscal Responsibility Act of 1982 and amendments thereto, we are required to withhold 28% of interest on Notes as to those Investors not providing us a correct Social Security or Federal Tax Identification Number or otherwise not complying with the Act. Investors may be deemed to receive additional taxable interest under section 7872, and all investors should consult their tax advisors regarding the special income tax rules applicable to loans and investments. At this time, investors with investments greater than \$250,000 in the aggregate with Cornerstone Fund particularly should be aware of the possibility of being taxed on imputed income if loans are made at below-market interest rates. However, that limit may be subject to change, so all investors should consult their tax advisors on this matter.

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
Investment Notes	6 Months and 12 Months to 60 Months

A Note commences on the day following the date of issuance. A 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 following business day. Our Notes are not insured by the FDIC, SIPC or any other governmental agency.

The term of an Investment 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 Investment Note along with written demand for redemption prior to the original or any extended maturity date. We will notify you of maturity dates 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 Notes upon maturity, the new extension interest rate may be less than the interest rate on the original Note. The new interest rate will be the applicable interest rate for the term of Note being extended at the time of the

extension. 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 Investment Notes available and minimum amounts of investment required are reflected in the Application to Purchase which accompanies this Circular.

One-Time Step-Up Feature

Interest rate step-ups are available for selected periods of time for selected term(s) of newly issued Fixed-Rate Term Notes. Fixed-Rate Term Notes issued with an interest rate step-up permit you to exercise a one-time option to adjust the interest rate on the Note to the fixed rate of interest then payable on a newly issued Note of that same type and term. Such Notes issued with an interest rate step-up will earn the fixed rate of interest as specified in the initial Notes during their entire initial term unless and until you send notice in writing of your intent to exercise the one-time interest rate step-up option. Upon receipt of such notice, such Note shall earn the fixed rate of interest then payable on newly issued Notes of that same type and term during the entire remaining portion of such Note's initial term. Presently the step-up feature is available only on newly issued 18, 30 and 60 month term Notes. The Notes available for this feature and this feature generally may be changed or terminated as to new Notes at any time without notice. The step-up feature is not available with respect to any Church Builder Bonus Notes described below.

Church Builder Bonus

This is a special investment program only available on deposits of \$10,000 or more and only available on a Five Year Term Note. 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 UCC church, Association or Conference or another related UCC 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 the same or other designated beneficiaries and can have one of these Notes along with other regular 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 will be 1.50% above the most current posted interest rate for a regular 5 Year Term Note at the time of investment. At the time of the original maturity, the Note would be changed to a regular 5 Year Term Note and the extension or renewal interest rate will be the then current posted rate for a regular 5 Year Term Note, unless you elect to redeem the Note or reinvest the monies in another regular term Note available at that time. However, at maturity you may elect to again participate in the 90/10 Five Year Term Note program should the program still be available. In the event the Note be redeemed, in whole or in part, prior to maturity, normal penalties will apply. The step-up feature described above is not available with respect to any Church Builder Bonus Notes.

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

Interest

We accrue interest daily from the date of receipt. 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 \$5,000 or more. The interest rates on our term Investment 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. Demand Notes, which have an adjustable interest rate, accrue interest daily and compound interest semiannually with the entire principal and interest payable upon your written demand. Demand Notes require a minimum initial purchase of \$50. Any amount can later be purchased or redeemed from the same Demand Note. We will send you a written notice semiannually showing the balance of the Demand Note. The initial interest rate on the Demand Note depends on our

prevailing interest rates at the time of sale and are 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 adjustment to the interest rate not less than fifteen (15) days before the effective date of the adjustment.

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.

Related Investment Plan

We also sell Investment 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 an interest rebate 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 and the term of the Investment Note pursuant to the Related Investment Plan will be reflected in the Application to Purchase and Rate Sheet which accompanies this Circular at the time of offer.

Early Redemption and Penalty

Although you generally cannot redeem your Investment 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 charge generally an early redemption penalty on certain of our Investment Notes. Upon such early redemption prior to original or extended maturity, there will be a forfeiture of 1 month's interest on any Note with an original term of 6 months or less, and a forfeiture of 3 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 30 days after the date of maturity or extended maturity. If one or more of the owners of your 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 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.

IRA Investments

We also offer our Demand Notes and Investment Notes as investments for funds deposited to 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 an Investment 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.

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, as you direct, invests the designated funds with us. 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 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

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. We will not, however, in the future issue any obligations or incur any secured obligations which will have a higher priority claim to our assets than the Notes that in aggregate exceed 10% of our net tangible assets. 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 regular state laws and/or securities laws.

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.

We will mail to 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 UCC 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 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 which accompanies the 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 returned to the Investor. All sales are made by Executive Officers of the Cornerstone Fund pursuant to broker-dealer, issuer or agent licensing or applicable exemption therefrom and such Executive 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, 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, such as (1) "family members" (as defined by applicable laws) of persons in the Limited Class, (2) entities controlled by members of the Limited Class, (3) employees of the Cornerstone Fund or any of organizations affiliate 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.

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.

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 members, serve for three-year terms. The ex officio members are the persons holding certain offices of Local Church Ministries and the Executive Director and President 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.

The following persons are our ex officio Directors as of the date of this Offering Circular:

- +o **Gordon J. Gilles** is Executive Director and President of the Cornerstone Fund. (See the biographical information on Mr. Gilles below under "Officers and Key Personnel".)
- ◇o **Darci D. Usher** serves as Controller for Local Church Ministries. She came to this position after twelve years with the Cleveland office of Ernst & Young, and has significant experience in accounting, financial and business operations management, and project management. Ms. Usher is a graduate of Notre Dame College with a Bachelor's degree in Accounting, and holds an MBA from Indiana Wesleyan University.
- + **Stephen L. Sterner** is Executive Minister of Local Church Ministries. Mr. Sterner holds Master of Divinity and Doctor of Divinity degrees from Lancaster Theological Seminary. He is presently the Executive Minister of Local Church Ministries. He has extensive experience as a pastor and church leader, including 16 years as senior minister of Central Congregational United Church of Christ in Atlanta, Georgia, and senior minister at the Church of the Beatitudes United Church of Christ in Phoenix, Arizona. Mr. Sterner has also served as Interim Conference Minister for the Massachusetts Conference and as Secretary for Church Development for the Board for Homeland Ministries, the predecessor organization of Local Church Ministries.

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

Terms Expiring December 31, 2011:

Riess W. Potterveld is the President of Pacific School of Religion. Previously he served as a senior minister for 18 years and as President of Lancaster Theological Seminary. Mr. Potterveld is a graduate of Trinity College with a B.A. degree in Religion. He also holds a Master of Divinity degree from Yale University Divinity School and M.A and Ph.D. degrees from Claremont Graduate University in Philosophy and Religion.

- +o **Vilma C. Thompson** (See the biographical information on Ms. Thompson below under "Officers and Key Personnel".)
- ◇+o **Lyle P. Campbell** is the Chairman of the Board of Peotone Bank & Trust and Legacy Integrity Bancorp. He has been in the banking business from 1966 to the present. Mr. Campbell holds a Bachelor of Science degree in Economics from Iowa State University and a Masters of Business Administration degree from the University of Chicago.**

+ **Marja L. Coons-Torn** has been the Conference Minister and President of the Penn Central Conference since 2004. Previously she has served as a pastor of churches in New Mexico, New York, Illinois and Montana and she was the Associate Conference Minister of the Indiana-Kentucky Conference for nine years. Ms. Coons-Torn holds a B.S.W. degree from the State University of New York at Buffalo and a Master of Divinity degree from Andover Newton Theological School. She also has received her Doctor of Ministry degree from Eden Theological Seminary. She was a Trustee of Rocky Mountain College and is currently a Trustee of Lancaster Theological Seminary.

Terms Expiring December 31, 2012:

◇ **Kenneth Ulmer** is an ordained minister and has served as pastor of churches in Nebraska and Minnesota and was the Connecticut Associate Conference Minister for Administration for five years. He was Director of Health Plans of the United Church of Christ Pension Board for five years, retiring in 2007. Mr. Ulmer served on the Executive Council of the United Church of Christ from 1971 to 1976 and has been a member of the Local Church Ministries Board of Directors since 2004. Mr. Ulmer holds a Bachelor of Science degree from Central College of Pella, Iowa and a Master of Divinity degree from Eden Theological Seminary. He is the Treasurer of Evangelical UCC in Webster Groves, Missouri and serves in the St. Louis Association Council of the Missouri Mid-South Conference.

+ **Caroline Martinson** (See the biographical information on Ms. Martinson below under "Officers and Key Personnel".)

Janet Leung has worked for WL Gore & Associates in Flagstaff, Arizona for the past 19 years, currently as Inside Sales - Customer Service Team Leader. Previously she had worked in banking and manufacturing. She is a graduate of the University of Rhode Island, College of Business Administration with a Bachelor's degree in Management.

+ **R. Jeffrey Pollock** is an Attorney with the firm of McDonald Hopkins LLC in Cleveland, Ohio. He received a Bachelor of Arts degree from DePauw University and a J.D degree from Northeastern University School of Law. He also hold a MTS degree from Harvard University.

Terms Expiring December 31, 2013:

◇ **Joyce M. Watson** is the Church Administrator & Volunteer Coordinator for the University Congregational, United Church of Christ in Missoula, Montana. She previously worked in the business offices of medical providers. She graduated from University of Texas with a Bachelor of Science degree in Physical Education. She has been on the Board of Directors of Local Church Ministries since 2004, serving at various times on the Audit Committee, Executive Committee and Search Committee.

Felix C. Villanueva is the Conference Minister of the Southern California Nevada Conference of the United Church of Christ. Previously he was senior minister in La Mesa, California. Prior to that he served for 25 years as a U.S. Navy Chaplain, achieving a rank of Captain. Mr. Villanueva is a graduate of the University of Puerto Rico with a degree in Biology. He also holds a Masters Degree in Divinity from Evangelical Seminary of Puerto Rico and a Masters Degree in Pastoral Counseling from Princeton Theological Seminary.

+◇ **Thomas E. Dipko** has been the Retired Executive Minister of Board for Homeland Ministries, the predecessor organization of Local Church Ministries, since 2000. In retirement, he has continued to serve the United Church of Christ as a pastor, lecturer and author. Mr. Dipko holds a Bachelor of Arts degree from Otterbein College and a Master of Divinity degree from United Theological Seminary. He also received a Ph.D degree from Boston University.*

◇ o+ **John W. Graham** (See the biographical information on Mr. Graham below under "Officers and Key Personnel".)

+ Members of the Executive/Policy Committee.

o Members of the Finance Committee.

◇ Members of the Audit Committee.

- * Thomas E. Dipko is Chairperson of the Board for 2011.
- ** Lyle P. Campbell is Vice Chairperson of the Board for 2011.

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:

Gordon J. Gilles - President and
Chief Executive Officer
Mary E. Seymour - Vice President

Caroline Martinson - Secretary
John W. Graham - Treasurer
Vilma C. Thompson - Assistant Treasurer

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

GORDON J. GILLES serves as President and Chief Executive Officer of the Cornerstone Fund. He holds a Bachelor's degree in Business Administration from the University of Texas at Arlington, Texas. Prior to becoming the President of the Cornerstone Fund, he served as Vice President and Chief Operating Officer and as Director of Marketing for the Cornerstone Fund. From 1985 to 1995, he served as Senior Vice President and Chief Lending Officer for Indian River Federal Savings Bank in Vero Beach, Florida. Mr. Gilles served the Community Church United Church of Christ, Vero Beach, Florida for 10 years in various leadership roles including Chair of the Stewardship Committee, Chair of the Trustees, and Moderator.

MARY E. SEYMOUR serves as Vice President and Associate Director for Investments and Loan Origination of the Cornerstone Fund. She holds a Bachelor of Science Degree in Journalism from Kent State University, Kent, OH and a Master of Divinity Degree from Methodist Theological School, Delaware, Ohio. From 1985-1996, she worked as a Regional Loan Officer and Branch Manager with TransOhio Savings Bank and Star Bank. In 1997, she joined the United Church Board for Homeland Ministries, working with the Church Building Revolving Loan Fund and the Cornerstone Fund. She is a member of Bethany United Church of Christ, Cuyahoga Falls, Ohio where she has served as President of Consistory and is currently Financial Secretary and Chair of the Stewardship Committee.

CAROLINE MARTINSON is presently the Secretary of the Cornerstone Fund. She is a Professor of Mathematics at Jefferson Community and Technical College, Louisville, Kentucky. She holds a Bachelor of Science degree in Mathematics and a Master of Education degree in supervision and curriculum development and has had an additional 30 hours of education in graduate mathematics classes. She is a member of St. Andrew UCC, Louisville, Kentucky, where she has served in many leadership roles. Also, she is a member of the Social Responsibility Committee of the United Church Fund. Since 2005 she has been a member of the Board of Directors of Local Church Ministries, and is currently Chairperson of its Budget and Finance Committee.

JOHN W. GRAHAM is the Treasurer of the Cornerstone Fund. He attended Fenn College in Cleveland, Ohio. He is President of G2 Investments, LLC, with local investments in real estate and automotive retail. Mr. Graham is retired as Vice Chair of Gund Business Enterprises having held that position for over 20 years. Past involvements have included ten years as active member of Board of Malone University and 20 years on the Board of Visiting Nurse Association of Ohio. Mr. Graham is a member of the Bath United Church of Christ and has served in various leadership roles there, including the Stewardship and Capital Campaign committees.

VILMA C. THOMPSON serves as the Assistant Treasurer of the Cornerstone Fund. She holds a Bachelor of Science Degree in Accounting from Northeastern University and an M.B.A. from Simmons College School of Management. She has over 26 years of experience in accounting, finance and auditing and currently works for Rockland Trust Company as audit officer. She is a member of First Congregational Church of Raynham, MA, where she has served in a variety of leadership roles. She has also served as Moderator of the Old Colony Association, on the Massachusetts Conference Board of Directors and as chair of the Budget and Finance Committee of Justice and Witness Ministries, a Covenanted Ministry of the United Church of Christ.

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 President, 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 Officer whose total remuneration exceeded \$100,000 in 2010 and the total remuneration in aggregate for all executive officers who received compensation directly from Cornerstone Fund for 2010:

<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>
Gordon J. Gilles	\$111,354	\$17,019	\$15,170	\$0	\$143,543
All Executive Officers in Aggregate	\$292,410	\$59,652	\$39,510	\$0	\$391,572

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" and the Notes to the Financial Statements, Note 6.

As of December 31, 2010, our officers and directors as a group had invested the aggregate amount of \$454,537 in our Notes, which represented .77% of the total of our 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 and directors, we cannot state as to whether any further investment by officers and directors will occur in the future, although it is certainly possible.

Pension/Retirement Plan

All officers and staff rendering services to us are eligible for the retirement benefits of The Pension Boards of the United Church of Christ, a separately incorporated recognized instrumentality of the United Church of Christ. Operating expenses allocated to us include a portion of the retirement contributions for these employees totaling \$56,141 in 2010.

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, most 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, 2008, 2009 and 2010 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.

LEGAL MATTERS

Legal matters in connection with the preparation of this offering Circular have been passed upon by Messrs. Eads Murray & Pugh, P.C., 9515 E. 59th Street, Suite B, Indianapolis, Indiana 46216, counsel for the Cornerstone Fund.

DEFINITIONS

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.

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.

Investment Balances - The amounts representing outstanding principal and accrued interest owed by the Cornerstone Fund to certain Church Organizations pursuant to the Cornerstone Fund's Private Investment Program.

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



Independent Auditors' Report

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

We have audited the accompanying statements of financial position of United Church of Christ Cornerstone Fund, Inc. (the "Fund"), a not-for-profit corporation, as of December 31, 2010, 2009 and 2008, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Church of Christ Cornerstone Fund, Inc. as of December 31, 2010, 2009 and 2008, and the changes in its unrestricted net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Maloney + Novotny LLC

Cleveland, Ohio
March 8, 2011



UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>			
Church building loans receivable, net (Note 5)	\$ 56,199,902	\$ 54,212,107	\$ 51,156,157
Cash and equivalents (Note 2)	3,424,956	3,478,528	2,158,001
Investments (Notes 2 and 4)	5,786,312	8,386,281	5,812,183
Accrued interest receivable	477,210	410,789	364,108
Related party receivable	-	-	8,239
Other assets	<u>237,447</u>	<u>207,803</u>	<u>177,666</u>
TOTAL ASSETS	<u>\$ 66,125,827</u>	<u>\$ 66,695,508</u>	<u>\$ 59,676,354</u>
 <u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Interest bearing investment obligations (Notes 6 and 8)	\$ 59,161,863	\$ 58,176,718	\$ 54,006,351
Line of credit	-	2,500,000	-
Accrued interest payable	307	4,192	93
Accounts payable and other accrued expenses (Note 8)	<u>175,807</u>	<u>153,680</u>	<u>175,370</u>
Total liabilities	<u>59,337,977</u>	<u>60,834,590</u>	<u>54,181,814</u>
UNRESTRICTED NET ASSETS	<u>6,787,850</u>	<u>5,860,918</u>	<u>5,494,540</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 66,125,827</u>	<u>\$ 66,695,508</u>	<u>\$ 59,676,354</u>

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

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS

Years Ended December 31, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES			
Interest on church building loans	\$ 3,617,221	\$ 3,573,722	\$ 3,464,441
Income on cash, cash equivalents and investments:			
Interest	258,659	289,550	302,762
Net (depreciation) appreciation in fair value of investments	<u>(70,526)</u>	<u>(181,005)</u>	<u>222,949</u>
Total income on cash, cash equivalents and investments	188,133	108,545	525,711
Other	<u>14,400</u>	<u>11,575</u>	<u>6,486</u>
Total revenues	3,819,754	3,693,842	3,996,638
EXPENSES			
Interest on:			
Investment obligations	1,537,510	2,103,400	2,393,092
Line of credit	5,107	33,705	-
Provision for loan losses (Note 2)	-	-	-
Management and common service fees (Note 8)	729,039	660,102	577,117
General and administrative	293,098	275,465	250,131
Professional services	<u>225,076</u>	<u>214,084</u>	<u>202,276</u>
Total expenses	<u>2,789,830</u>	<u>3,286,756</u>	<u>3,422,616</u>
INCREASE IN UNRESTRICTED NET ASSETS BEFORE CONTRIBUTIONS	1,029,924	407,086	574,022
CONTRIBUTIONS MADE			
National Basic Support of Our Church's Wider Mission	<u>102,992</u>	<u>40,708</u>	<u>57,402</u>
INCREASE IN UNRESTRICTED NET ASSETS	926,932	366,378	516,620
UNRESTRICTED NET ASSETS – BEGINNING OF YEAR	<u>5,860,918</u>	<u>5,494,540</u>	<u>4,977,920</u>
UNRESTRICTED NET ASSETS – END OF YEAR	<u>\$ 6,787,850</u>	<u>\$ 5,860,918</u>	<u>\$ 5,494,540</u>

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

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in unrestricted net assets	\$ 926,932	\$ 366,378	\$ 516,620
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:			
Net depreciation (appreciation) in fair value of investments	70,526	181,005	(222,949)
Provision for loan losses	-	-	-
Change in operating assets and liabilities:			
Accrued interest receivable	(66,421)	(46,681)	(6,169)
Related party receivable	-	8,239	29,055
Other assets	(29,644)	(30,137)	(30,771)
Accrued interest payable	(3,885)	4,099	(456)
Accounts payable and other accrued expenses	22,127	(21,690)	37,874
Total adjustments	<u>(7,297)</u>	<u>94,835</u>	<u>(193,416)</u>
Net cash flows provided by operating activities	919,635	461,213	323,204
CASH FLOWS FROM INVESTING ACTIVITIES			
Amounts disbursed for church building loans	(12,808,027)	(22,645,654)	(11,854,411)
Principal repayments received on church building loans	10,820,232	19,589,704	7,841,423
Purchases of investments	(1,091,052)	(8,480,010)	(950,000)
Proceeds from sales and maturities of investments	3,620,495	5,724,907	714,039
Net cash flows provided (used) by investing activities	541,648	(5,811,053)	(4,248,949)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of investment obligations	17,914,133	20,287,359	9,642,529
Redemption of investment obligations	(16,928,988)	(16,116,992)	(6,996,920)
Net (payment) borrowing on line of credit	(2,500,000)	2,500,000	-
Net cash flows (used) provided by financing activities	<u>(1,514,855)</u>	<u>6,670,367</u>	<u>2,645,609</u>
(DECREASE) INCREASE IN CASH AND EQUIVALENTS	(53,572)	1,320,527	(1,280,136)
CASH AND EQUIVALENTS – BEGINNING OF YEAR	<u>3,478,528</u>	<u>2,158,001</u>	<u>3,438,137</u>
CASH AND EQUIVALENTS – END OF YEAR	<u>\$ 3,424,956</u>	<u>\$ 3,478,528</u>	<u>\$ 2,158,001</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	<u>\$ 1,546,502</u>	<u>\$ 2,133,006</u>	<u>\$ 2,393,547</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 of the Fund are prepared on the accrual basis in accordance with the guidelines of the American Institute of Certified Public Accountants in the Audit and Accounting Guide for Not-for-Profit Organizations.
- B. **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.
- C. **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.
- D. **Church Building Loans Receivable** – Loans are made to fund the construction, acquisition, and expansion of church facilities and are stated at their unpaid principal balance. 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. The allowance for loan losses was \$-0- as of December 31, 2010, 2009 and 2008. No loans were charged off during the years 2010, 2009 and 2008. No loans were placed on nonaccrual status as of December 31, 2010, 2009 and 2008.
- E. **Revenue Recognition** – Interest on church building loans is recognized as revenue in the period it is earned.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Summary of Significant Accounting Policies (Continued)

- F. **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 \$196,565, \$174,140 and \$132,043 as of December 31, 2010, 2009 and 2008, respectively, and are included in other assets in these financial statements.
- G. **Fair Value of Financial Instruments** – The carrying values of cash and equivalents, accounts and other receivables, prepaid and other assets, accounts payable, and line of credit are reasonable estimates of fair value due to the short-term nature of these financial instruments. The carrying value of the Fund's investments approximates their fair value in accordance with "*Fair Value Measurements*."

"*Fair Value Measurements*" establish a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which assumptions utilize management's estimates of market participant assumptions.

The Fund has determined that its investments in U.S. Treasuries are valued utilizing Level 1 methods as the U.S. treasuries are readily traded on public exchanges. The Fund's investments in certificates of deposit are carried at cost, which approximates market value.

- H. **Liquidity** – The general order of liquidity of assets is cash and equivalents, investments, loans and interest receivable, and other assets. The general order of liquidity of liabilities is demand investment obligations, accounts payable and other accrued expenses, and interest bearing term obligations (including accrued interest).
- I. **Subsequent Events** – Management has performed an analysis of the activities and transactions subsequent to December 31, 2010 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2010. Management has performed their analysis through March 8, 2011.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Reserve Requirements

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 2010, 2009 and 2008.

Note 4. Investments

Scheduled maturities of the Fund's investments held at December 31, 2010 were:

	<u>Certificates of Deposit</u>	<u>Government Securities</u>	<u>Total</u>
2011	\$ -	\$ 1,118,068	\$ 1,118,068
2012	250,000	1,053,115	1,303,115
2013	500,000	485,892	985,892
2014	1,150,000	279,237	1,429,237
2015	<u>950,000</u>	<u>-</u>	<u>950,000</u>
Total	<u>\$ 2,850,000</u>	<u>\$ 2,936,312</u>	<u>\$ 5,786,312</u>

Note 5. Church Building Loans

All church building loans are collateralized by a mortgage or deed of trust. The weighted average interest rate on all outstanding loans is 6.58%, 6.82% and 7.10% at December 31, 2010, 2009 and 2008, respectively.

The principal payments of loans scheduled to be received are:

2011	\$ 6,606,104
2012	3,679,795
2013	7,320,797
2014	12,790,921
2015	10,993,239
Thereafter	<u>14,809,046</u>
Total	<u>\$ 56,199,902</u>

As of December 31, 2010, 2009 and 2008, the outstanding balances of lines of credit were \$1,526,545, \$1,128,287 and \$533,144, respectively.

As of December 31, 2010, 2009 and 2008, the Fund has approved commitments of \$12,405,966, \$8,541,464 and \$8,266,087, respectively, for both additional loans and the unfunded balances of existing construction loans and lines of credit.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 to do business. The obligations outstanding are summarized as follows:

Type of Account	Weighted Average Interest December 31, 2010	December 31,					
		2010		2009		2008	
		Amount	%	Amount	%	Amount	%
Demand obligations:							
Individuals	0.75 %	\$ 493,762	0.83 %	\$ 349,797	0.60 %	\$ 289,322	0.53 %
Churches	0.75	1,899,290	3.21	1,779,072	3.06	932,429	1.73
Total demand	0.75	2,393,052	4.04	2,128,869	3.66	1,221,751	2.26
Term obligations:							
Individuals	2.54	20,942,414	35.40	21,137,486	36.33	19,328,780	35.79
Churches	2.35	34,091,813	57.62	33,670,475	57.88	32,436,391	60.06
IRAs	3.36	1,734,584	2.94	1,239,888	2.13	1,019,429	1.89
Total term	2.45	56,768,811	95.96	56,047,849	96.34	52,784,600	97.74
Total investment obligations	2.38 %	\$ 59,161,863	100.00 %	\$ 58,176,718	100.00 %	\$ 54,006,351	100.00 %

The interest bearing term investment obligations at December 31, 2010 mature as follows:

2011	\$ 33,787,857
2012	13,214,511
2013	4,361,592
2014	1,671,904
2015	3,732,947
Total	\$ 56,768,811

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 \$100,000 were \$18,816,375, \$17,818,748 and \$18,431,585 as of December 31, 2010, 2009 and 2008, 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 March 8, 2011, the Fund is not aware of any such changes.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 7. Financing Arrangement

The Fund has an \$8 million line of credit with KeyBank (the "Bank") that expires on April 30, 2013. Interest is payable at the one-month LIBOR rate plus 1.85%. The interest rate was 2.11% at December 31, 2010. The Fund also is required to pay a commitment fee of .10% quarterly of the average daily unused amount of the line of credit. Commitment fees paid to the Bank were \$7,178 in 2010, \$6,160 in 2009 and \$8,022 in 2008. The line of credit is collateralized by marketable securities currently held or to be held by Local Church Ministries of UCC ("LCM"). There were no outstanding balances on the line of credit as of December 31, 2010 and 2008. As of December 31, 2009, the line of credit had an outstanding balance of \$2,500,000 which was repaid in April 2010.

The fund has a second \$5 million demand line of credit with the Bank. Interest is payable monthly at the Bank's prime interest rate (3.25% at December 31, 2010). The line of credit is collateralized by marketable securities currently held or to be held by LCM. There were no outstanding balances on the line of credit as of December 31, 2010, 2009 and 2008.

Note 8. Balances and Transactions With Related Parties

The Fund recorded personnel expense of \$569,777 in 2010, \$521,605 in 2009 and \$445,020 in 2008. Common services fees totaled \$107,062 in 2010, \$102,883 in 2009 and \$91,534 in 2008. The Fund rents its office space under a sixteen year operating lease with 700 Prospect Corporation, an affiliate of the UCC, which expires December 31, 2021. Rental payments are adjusted annually based upon changes in 700 Prospect Corporation's real estate taxes. Anticipated rentals are \$53,000 per year for the years 2011 through 2015. Office space expense for the Fund was \$52,200 in 2010, \$50,532 in 2009 and \$39,840 in 2008. Accrued expenses include amounts due to UCC Common Services Corporation and other related parties for fees and other reimbursable costs of \$-0- in 2010, \$46,822 in 2009 and \$42,395 in 2008.

The Fund billed LCM for office space, personnel, and common services related to employees of the Fund utilized by LCM and recorded \$14,917 in 2009 and \$64,230 in 2008 as a reduction of the related expenses. A related party receivable of \$8,239 in 2008 was due from LCM. LCM discontinued use of the Fund's space and employees during 2009.

The Fund has interest bearing investment obligations due to affiliates of the UCC of \$6,619,944, \$8,745,663 and \$9,088,048 as of December 31, 2010, 2009 and 2008, respectively. The Fund also has interest bearing investment obligations due to directors and employees of the Fund and employees of the UCC of \$660,849, \$871,363 and \$857,175 as of December 31, 2010, 2009 and 2008, respectively.

Note 9. 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. Expense for this plan is \$56,141 in 2010, \$52,604 in 2009 and \$48,615 in 2008.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 10. Functional Expenses

The functional classification of expenses is a method of grouping expenses according to the purpose or activity for which costs are incurred. The classification of expenses by function for the Fund is as follows for the years ended December 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Program	\$ 2,571,773	\$ 3,035,212	\$ 3,217,698
Supporting activities	<u>321,049</u>	<u>292,252</u>	<u>262,320</u>
	<u>\$ 2,892,822</u>	<u>\$ 3,327,464</u>	<u>\$ 3,480,018</u>

Note 11. 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>2010</u>	<u>2009</u>	<u>2008</u>
Net assets to risk weighted assets	10.4%	8.9%	9.3%
Net assets to total assets	10.3%	8.8%	9.2%

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
SUMMARY OF THE OFFERING	4	SUMMARY OF OPERATIONS AND OTHER	
RISK FACTORS	5	FINANCIAL INFORMATION	16
INTRODUCTION	7	MANAGEMENT DISCUSSION AND ANALYSIS ..	17
General	7	Capital Adequacy	17
Purpose of Cornerstone Fund	7	Liquidity	17
Nationwide Offerings	7	Cash Flow	17
HISTORY AND OPERATIONS	7	Loan Delinquency	17
The United Church of Christ	7	Profitability	17
Local Church Ministries	8	Future Plans and Activities	18
The Cornerstone Fund	8	TAX ASPECTS	18
The Cornerstone Fund's Services.	8	DESCRIPTION OF THE NOTES	18
Property and Equipment	8	Terms	18
RELATED PARTY TRANSACTION	8	Step-Up Feature	19
USE OF PROCEEDS	9	Church Builder Bonus	19
CORNERSTONE FUND'S LENDING ACTIVITIES .	9	Interest	19
General	9	Related Investment Plan	20
Loan Policies	10	Early Redemption and Penalty	20
Major Loans.	10	IRA Investments	20
Loan Loss Reserve	11	Additional Information.	20
Loan Delinquencies	11	Method of Sale	21
Loan Processing	11	Website	21
FINANCING CORNERSTONE		MANAGEMENT	22
FUND'S ACTIVITIES	11	Directors	22
General	11	Officers and Key Personnel	24
Sale of Notes	11	Remuneration	25
Offer and Sale of Notes	11	Pension/Retirement Plan	26
Outstanding Notes	12	LITIGATION	25
Proceeds From the Sale of Notes		ADMINISTRATIVE MATTERS	25
and Redemptions in 2010	12	INDEPENDENT AUDITORS	26
Private Investment Program	12	INTERNAL CONTROLS	26
Maturity Information	13	LEGAL MATTERS	26
Loans to Church Organizations	13	DEFINITIONS	26
Interest on Loans	14	REPORT OF INDEPENDENT AUDITORS	27
Scheduled Principal Payments ...	14	STATEMENTS OF FINANCIAL POSITION	28
Cash and Invested Funds.	14	STATEMENTS OF ACTIVITIES AND CHANGES IN	
Cash and Invested Funds	14	UNRESTRICTED NET ASSETS	29
Investment Policies	15	STATEMENTS OF CASH FLOWS	30
Related Financial Information	15	NOTES TO FINANCIAL STATEMENTS	31
Lines of Credit	15		

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.®

700 Prospect Avenue
 Cleveland, Ohio 44115-1100
 (216) 736-3829
 (888) 822-3863
www.cornerstonefund.org