

**UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC. ®**  
**1300 East 9th Street #1605**  
**Cleveland, Ohio 44114**  
**(216) 736-3829**  
**(888) 822-3863**  
**[www.cornerstonefund.org](http://www.cornerstonefund.org)**

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**OFFERING CIRCULAR**

**\$150,000,000**

**TERM NOTES, FLEXIBLE DEMAND NOTES, FLEXIBLE DEMAND PLUS NOTES,  
AND GIVING BONUS 60-MONTH TERM NOTES**

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

<u><b>Instrument</b></u>	<u><b>Maturity</b></u>	<u><b>Minimum Investment</b></u>
Flexible Demand Notes	Demand	\$ 50 *
Flexible Demand Plus Notes	Demand	\$ 50 *
Term Notes	3 to 60 months	\$ 500
Giving Bonus 60-Month Term Notes (UCC organization)	60 months	\$ 10,000
Giving Bonus 60-Month Term Notes (racial equity organization)	60 months	\$ 2,500

Interest rates paid on Term Notes (other than the Giving Bonus 60-Month Term Notes) are tiered based upon the term and amount of the investment as provided on the accompanying Rate Sheet. Giving Bonus 60-Month Term Notes are special investment programs incorporating a gift to a United Church of Christ entity or to an organization focus on bringing about racial equity. See “DESCRIPTION OF THE NOTES – GIVING BONUS” on page 22 for details.

\*The minimum investment is \$25 for Demand Notes held for the benefit of a minor under the Uniform Transfers to Minors Act. See “DESCRIPTION OF THE NOTES – KIDS CLUB INVESTMENT PROGRAM” on page 24 for details. Minimum investment amounts are current as of the date of this Offering Circular, but may change from time to time. See the accompanying Rate Sheet or the Fund’s website [www.cornerstonefund.org](http://www.cornerstonefund.org) for current minimum investment requirements.

**In order for you to purchase any Notes, prior to your receiving an Offering Circular, you must be a member of, a contributor to (including an investor), or participant in the United Church of Christ 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, or such other persons or entities having a reasonable association or affiliation with the Limited Class, as further defined on page 25.**

There are no underwriters or outside selling agents involved with this offering, and no commissions or underwriting expense will be paid. We will receive 100% of the proceeds of the sale of the Notes, out of which we pay all related expenses of the offering, which we estimate will be approximately \$136,000 per year.

**Your purchase of Notes is subject to certain risks. You could lose some or all of your investment. Please read the “Risk Factors” beginning on page 4.**

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**The date of this Offering Circular is April 30, 2022.**

\* Not FDIC or SIPC Insured

\* Not a Bank Deposit

\* No United Church of Christ Guarantee

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

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

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

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

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

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

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

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

#### **STATE SPECIFIC INFORMATION**

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

**California Residents:** If you are a resident of California, your Term Notes will not be automatically renewed at maturity. We will notify you approximately thirty (30) days before your Term Note matures, at which time you will have the opportunity to send in the Term Note for repayment or notify us of your intention to renew the Term Note for an additional like term or reinvest the principal balance of the Term Note in another form of Term Note that is available at that time. If you do not affirmatively elect to renew or reinvest, the principal balance of the Term Note will be paid to you upon your sending the Term Note to us for payment. If the Term Note is not sent to us for repayment or if you do not elect to renew or reinvest, on and after the maturity date, the Term Note will be treated and earn

interest as a Future Demand Note until we receive the Term Note from you for payment or you elect to renew or reinvest. California residents will only be able to renew their Term Notes or reinvest in other Term Notes if we hold a current registration permit in California. We cannot assure you that such permits will be issued in the future.

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

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

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

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

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

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

**Missouri Residents:** The Notes have not been registered under the Missouri Uniform Securities Act of 2003 because they are exempt from registration by Rev. Stat. Mo. Section 409.2-201(7)(B). 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.

**Oregon Residents:** Automatic reinvestment upon maturity of a Term Note, as provided in this offering circular (see "Terms" on page 22 under the heading entitled, "Description of the Notes"), is available to Oregon residents only under limited circumstances. Thirty (30) days prior to the maturity of your original investment (the "Original Investment"), we will deliver a maturity notice and current offering circular to you. If you decide not to reinvest, on or prior to the maturity of your Original Investment, you must send us a written notice along with your Note. We will

then redeem your funds. If you do not submit a written request, we may, at our discretion, reinvest the proceeds into a comparable Investment (the “New Note”) that has a three (3) month maturity. The interest rate on the New Note may be different from the interest rate on the Original Investment.

**Pennsylvania Residents:** EVERY PENNSYLVANIA PURCHASER OF THE NOTES HAS THE RIGHT TO WITHDRAW FROM THE PURCHASE AS PROVIDED BY SECTION 207(M) OF THE PENNSYLVANIA SECURITIES ACT OF 1972. IF YOU ACCEPT AN OFFER TO PURCHASE THE NOTES, YOU MAY ELECT WITHIN TWO (2) BUSINESS DAYS AFTER THE FIRST TIME YOU RECEIVE THIS OFFERING CIRCULAR TO WITHDRAW FROM YOUR PURCHASE AND RECEIVE A FULL REFUND OF ALL MONIES PAID BY YOU. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A LETTER, TELEGRAM OR FACSIMILE TRANSMISSION TO US INDICATING YOUR INTENTION TO WITHDRAW. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE SECOND BUSINESS DAY MENTIONED ABOVE. IF YOU ARE SENDING A LETTER, IT IS PRUDENT TO SEND IT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME IT WAS MAILED. SHOULD YOU MAKE THE REQUEST ORALLY, YOU SHOULD ASK FOR WRITTEN CONFIRMATION THAT YOUR REQUEST HAS BEEN RECEIVED.

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

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

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

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

**Tennessee Residents:** 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:** Automatic reinvestment upon maturity of a Term Note, as provided in this Offering Circular (see “Terms” on page 22 under the heading entitled, “Description of the Notes”), is not available to Washington

residents. At least thirty (30) days prior to the maturity of your Term Note, we will deliver a maturity notice to you, accompanied by a current Offering Circular if one was not previously delivered to you. You will have the opportunity to send in the Term Note for repayment or notify us of your intention to renew the Term Note for an additional like term or reinvest the principal balance of the Term Note in another form of Term Note that is available at that time. If you do not affirmatively elect to renew or reinvest, the principal balance of the Term Note (and any accrued and unpaid interest thereon) will be paid to you at maturity.

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## EXHIBITS

Exhibit A	Audited Financial Statements
Exhibit B	Applications to Purchase

## SUMMARY OF THE OFFERING

We provide this summary for your convenience. Since it is only a summary, you must read it together with the more complete statements and information in this Offering Circular (“Offering Circular”), including the audited financial statements. Any person or entity investing or considering investing in the Cornerstone Fund is referred to as an “Investor” in this Offering Circular. See “Definitions” on page 33 for other terms used in this Offering Circular.

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

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

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

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

**5. Management.** We are managed by our 16-member board of directors (“Board of Directors”) that meets regularly two (2) times per year. The followings executive officers are responsible for our day-to-day operations:

Maria C. Coyne, President and Chief Executive Officer  
Kathy L. Houston, Vice President, Chief Financial Officer  
V. Brian Magnone, Secretary  
Daniel D. Dubree, Treasurer

See “MANAGEMENT.”

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

**7. The Cornerstone Fund’s Lending Activities.** We use the proceeds from the sale of our Notes to make loans to Church Organizations. These loans generally are secured by first mortgages and are predominantly for the construction, repair or renovation of churches, parsonages and related facilities and to improve accessibility and the refinancing of existing indebtedness. Normally, these loans have less stringent lending criteria than commercial lenders and are at or below prevailing commercial loan rates. We also make loans pursuant to our “Related Investment Plan,” whereby members of a local borrowing congregation invest in our Notes as investment support for the loan.

Loans generally are either fixed rate or adjustable rate loans made with payments based on up to 30-year amortization. See “THE CORNERSTONE FUND’S LENDING ACTIVITIES.”

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

**9. Selected Financial Information.** The following summarizes selected financial information for the fiscal year ending December 31, 2021.

	<u>As of December 31, 2021</u>
Cash and Invested Funds	\$25,925,331
Total Outstanding Loans *	\$90,857,179
Unsecured Loans – Amount	\$366,941
Unsecured Loans – % of Total Loans	0.40%
Loan Delinquencies** – % of Total Loans	0.00%
Allowance for Loan Losses	(\$1,230,876)
Total Assets	\$116,711,930
Outstanding Line of Credit	\$0
Church Construction Funds on Deposit	\$2,743
Outstanding Notes Payable	\$104,152,345
Total Liabilities	\$104,559,221
Notes Redeemed During Year	\$86,161,803
Net Assets Without Donor Restrictions	\$11,171,571
Net Assets With Donor Restrictions	\$981,138
	<u>Year Ended</u>
	<u>December 31, 2021</u>
Revenues, including net appreciation of investments	\$5,091,033
Expenses	\$3,884,394
Increase in Net Assets Without Donor Restrictions	\$1,060,082
Increase in Net Assets With Donor Restrictions	\$146,557

\* Balance of loans outstanding, net of participations.

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

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

**10. Impact of the COVID-19 Pandemic.** We have adjusted our operations to adapt to the changing circumstances of the continuing outbreak of COVID-19 and its related variants. Our staff has worked remotely in whole or in part since pandemic restrictions took effect in March 2020. We have worked proactively with our borrowers, negotiating deferrals, refinances and modifications to avoid more material loan losses. In 2020, all borrowers were offered a two-month deferral, with approximately 15% of our borrowers (by number) rejecting the deferral offer. Three (3) loans were granted a longer deferral, with one paid in full by December 31, 2020 and the other two making principal and interest payments through 2021. We had one (1) deferral in 2021, with the borrower returned to making principal and interest payments as of the date of this Offering Circular. The Fund also received and processed COVID-19 related requests for four (4) loan modifications in 2020 and one (1) loan modification in 2021.

We experienced the first loan charge-off in the Cornerstone Fund’s history in 2020, a partial charge-off in the principal amount of \$7,500. There were no charge-offs in 2021.

We offered a Pandemic Relief Loan Program to our borrowers, secured by funding from the United Church of Christ National Setting and individual Conferences, under which our borrowers used loan proceeds for operating expenses and working capital. We issued a total of four (4) loans under this program. As of December 31, 2021, we had two (2) outstanding loans with an aggregate outstanding principal amount of \$27,339.

We received a Paycheck Protection Program (PPP) loan in 2020 to support our own operations, in the amount of \$214,600 and bearing interest at 1% per year (with the first six (6) months of interest deferred). The loan was forgiven in July 2021 in accordance with the PPP provisions allowing for full forgiveness of the loan.

See also Risk Factor titled “The outbreak of the novel coronavirus, COVID-19, could adversely impact our activities, financial condition, results of operations and/or cash flows,” and Note 13 to the audited financial statements attached to this Offering Circular.

## RISK FACTORS

1. **Notes are Unsecured Obligations.** The Notes are unsecured obligations of the Cornerstone Fund. You must depend solely upon our financial condition and operations for principal repayments and interest payments on the Notes. We believe that we have taken all necessary legal steps to ensure that our debts and liabilities are independent of the financial structure of the United Church of Christ or any Church Organizations; thus, those other entities will have no legal obligations to repay the principal or interest on the Notes. Neither the United Church of Christ nor any Church Organization has guaranteed the Notes or any loans we have made. Our Notes are not certificates of deposit or deposit accounts with a bank, savings and loan association, credit union or other financial institution regulated by federal or state authorities. Our Notes are not insured by FDIC or SIPC or any other government agency. Risks of investment in the Notes may be greater than implied by relatively low interest rates on the Notes.
2. **Market Risk.** The Notes are subject to investment risks, including possible loss of the entire principal amount invested.
3. **Limit on Senior or Secured Debt.** We have a \$6,000,000 revolving line of credit secured by essentially all assets of Cornerstone Fund. As of December 31, 2021, we had \$0 borrowed under this line of credit. All of the Notes and anticipated future offerings of Notes will be of equal rank with all of our other Notes. It is our policy that any senior or secured indebtedness, including borrowings under the revolving line of credit, will not exceed 10% of our tangible assets as of the date of issuance or incurrence of the obligation. Any senior or secured indebtedness would rank senior to the Notes to the extent collateral is pledged to secure it.
4. **No Sinking Fund or Trust Indenture.** We have not established any sinking fund or trust indenture to provide for repayment of the Notes. No trustee monitors our affairs on your behalf, no agreement provides for joint action by investors in the event we default on the Notes and you do not have the other protections a trust indenture would provide. The lack of a sinking fund or trust indenture may adversely affect our ability to repay the principal and interest on the Notes when due.
5. **Liability for Claims against the United Church of Christ or Church Organizations.** We should not be liable for claims made against the United Church of Christ or Church Organizations. Although we believe that we have taken all necessary legal steps to establish the Cornerstone Fund as a separate legal entity apart from the United Church of Christ or any Church Organization, it is possible that in the event of claims against the United Church of Christ or any Church Organization, the claimants might contend that we are also liable. Such claims, if upheld by the courts, could negatively affect our financial condition and ability to repay Notes.
6. **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.
7. **No Right to Redeem Prior to Maturity.** We are not legally obligated to redeem your Note prior to its maturity. When early redemption is allowed, normally there is a penalty. Furthermore, ability to redeem your Term Note is subject to the availability of funds. See “DESCRIPTION OF THE NOTES – Early Redemption and Penalty” on page 24.
8. **Redemption of Notes.** We have the right to redeem (i.e., prepay) any outstanding Note or Investment Balance (as defined herein) prior to the expiration of its term with your consent. There can be no assurance that you will be able to reinvest your redemption proceeds in other securities having terms (and associated risks) as favorable as the redeemed Notes, which may result in a decline of income for you.
9. **Invested Funds Subject to Risks.** Our invested assets are subject to various market risks which may result in losses if the market values of our investments decline and could have an adverse impact upon our liquidity and our ability to repay our Notes.

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

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

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

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

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

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

12. **Importance of Substantial Number of Notes Being Extended or Reinvested at Maturity.** A substantial portion of our outstanding Notes will mature in one (1) year or less. For the last three (3) years, however, an average of approximately 89% of our maturing Notes have been extended or reinvested in other Notes. If demands for repayment upon maturity of our outstanding Notes exceed prior experience or if the availability of funds from sources other than operating income is reduced, it may have an adverse effect on our financial condition and our ability to repay maturing Notes. If prevailing interest rates rise significantly, demands for repayment at maturity may exceed historical averages. Interest rates have been in a decreasing environment. In 2022, \$53,372,647 of Term Notes will mature. In addition, as of December 31, 2021, there were \$13,204,911 of Demand Notes that could be called for redemption during 2022.

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

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

15. **Tax Consideration.** Interest paid or payable on the Notes will be taxable as ordinary income imputed to you regardless of whether interest is paid or compounded, unless you purchased the Notes through an Individual Retirement Account (“IRA”) or other tax deferred account. Additionally, there is always a risk that changes may be made in the tax laws, which changes could have an adverse effect on your ownership of Notes. (See “Tax Aspects” at page 21 for a more detailed discussion).

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

17. **Lending Criteria and Enforcement Are More Lenient.** Consistent with our mission, 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 many commercial lenders. Further, in view of the relationship we have with our borrowers, we have been willing, in certain instances in the past, to accommodate late payments to an extent greater than a commercial lender may be willing to do. We may continue to do so in the future. Thus, many of our loans involve a higher risk of loss than loans made by commercial lenders.

18. **Our loans are geographically concentrated.** Although we have no geographic restrictions on where loans are made, the five states with the greatest concentration of loans, as of December 31, 2021, were as follows:

State	Number of Borrowers	Principal Outstanding	Percent of Loan Portfolio
Illinois	16	\$ 16,923,656	18.63%
California	31	15,972,677	17.58%
Ohio	23	7,231,658	7.96%
Texas	6	6,151,840	6.77%
Washington DC	8	6,098,673	6.71%
Total	84	\$ 52,378,504	57.65%

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

19. **Loan Delinquencies.** At December 31, 2021, we had no loans that were delinquent for over ninety (90) days. During 2021, we charged off \$0. In 2020, we charged off part of the outstanding principal balance of one (1) loan, in the amount of \$7,500. No loans were charged off during the year 2019. During the year ended December 31, 2020,

the Fund adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update replaced the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Fund adopted the standard using the modified retrospective approach and resulted in a cumulative adjustment to beginning net assets of \$1,050,312 in the statement of activities and changes in net assets for the year ended December 31, 2020. See also Note 2 to the audited financial statements attached to this Offering Circular and “Allowance for Loan Losses” below.

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

21. **Line of Credit.** We currently have a secured, revolving line of credit in the amount of \$6,000,000 with Peoples Bank. The extent to which this line of credit becomes unavailable or substantially decreased may have an adverse effect on our ability to make loans as timely as desirable or to make timely payments of principal and interest on our Notes. As of December 31, 2021, we had borrowed \$0 under our line of credit.

22. **Allowance for Loan Losses.** Based on the historical performance of our loan portfolio and the fact that no loans have been entirely charged off since we began operations in 1993, there had not been a loan loss reserve established in years prior to 2020. During the year ended December 31, 2020, the Fund adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update replaced the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Fund adopted the standard using the modified retrospective approach, which resulted in a cumulative adjustment to beginning net assets of \$1,050,312 in the statement of activities and changes in net assets. As of December 31, 2021, the Fund has recorded an allowance for loan losses of \$1,230,876.

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

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

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

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

27. **Cybersecurity Risks, Dependence upon Technology and Related Services.** The majority of our business records are stored and processed electronically, including records of our loans receivable, Notes payable and applications to purchase, and most other business records. We rely to a certain extent upon third party vendors for providing hardware, software, and services (including our website functionalities) for processing, storing and delivering information. If you elect to use our website and related online services, electronic delivery services, or similar mobile services that may be offered in the future, we can offer no assurances and make no warranty as to their accuracy and availability, and such use is subject to the terms, conditions and limitations set forth in applicable usage agreements. Our electronic records include confidential customer information and proprietary information of our organization. Electronic processing, storage and delivery has inherent risks such as the potential for hardware failure, virus or malware infection, input or programming errors, interruption of website service, inability to access data when needed, corruption or permanent loss of data, unauthorized access to data or theft of data. Cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such threats. While we and our vendors take measures to protect against these risks, our computer systems and network infrastructure are not immune to cyber-attacks, including denial of service attacks, hacking, terrorist activities, identity theft and other fraudulent, illegal or improper activity perpetrated by third parties. No cybersecurity measures will be 100% effective, and there may be other risks that have not been identified or that may emerge in the future. A successful penetration or circumvention of our or our vendor's security could cause, among other consequences, significant disruption of all aspects of our operations, damage to hardware and software systems, misappropriation of confidential or proprietary information, personal information or identity of holders of Notes, or theft of our funds, which would have a material adverse effect on us, our operations, and our ability to repay our obligations under the Notes as and when due.

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

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

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

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

32. **The continuing outbreak of the novel coronavirus, COVID-19, could adversely impact our activities, financial condition, results of operations and/or cash flows.** The outbreak of COVID-19 and its related variants has significantly disrupted societal norms, the economy and financial markets in the United States and globally. Due to the nature of the pandemic, uncertainty and fluidity of the spread of new virus variants, volatility of financial markets and supply chains, and varied responses from local, state and federal governments, including restrictive orders in the markets in which we operate, it is impossible to predict the ultimate effects it could have on us or on our borrowers. The effects of COVID-19 could, among other risks, result in a material increase in requests for payment extensions from our borrowers, have a material adverse impact on the financial condition of our borrowers, making it more difficult for our borrowers to repay loans, result in a decreased demand for new loans, negatively impact our ability to access capital on attractive terms or at all, and/or lead to a decrease in our liquidity. These effects could have a material adverse impact on our business, financial condition, results of operations and/or cash flows, which could

negatively affect our ability to meet our payment obligations under the Notes. See also “Impact of COVID-19 Pandemic” under “SUMMARY OF THE OFFERING” above.

#### **FORWARD LOOKING STATEMENTS**

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

## INTRODUCTION

### General

The Cornerstone Fund is an Indiana nonprofit corporation, incorporated on September 22, 1993. We are affiliated structurally with the United Church of Christ through a common religious purpose. The local churches, Associations, Conferences, national organizations, colleges and seminaries, other affiliated organizations of the United Church of Christ, or churches and other religious organizations that share the United Church of Christ's values, 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 2022 we will offer and sell our Notes to Investors in a number of states, and we may offer and sell our Notes in additional states in the future as part of a continuous offering process. The total amount of \$150,000,000 in Notes to be sold in this offering is not a limitation on the amount of Notes we may sell in our continuous offering. Our Notes are unsecured obligations having the same priority to our assets as all of our other outstanding Notes and any other general unsecured obligations.

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

## HISTORY AND OPERATIONS

### United Church of Christ

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

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

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

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

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

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

### **Cornerstone Fund**

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

### **Missouri Mid-South Conference Revolving Loan Fund**

During 2017, the Fund received a contribution of cash, investments and loans receivable from a foundation to establish a revolving loan fund for the benefit of churches in the Missouri Mid-South Conference. Interest income earned on the loans is accumulated in the fund to distribute under future loans. As of December 31, 2021, loans outstanding under this program were \$315,222 and cash and investment balances were \$515,916. In accordance with the foundation's memorandum of gift, in the event of the judicial appointment of a receiver for Cornerstone, its bankruptcy or other involuntary or voluntary dissolution, the remaining assets of the revolving loan fund shall be transferred in their entirety to the Missouri Mid-South Conference of the United Church of Christ.

### **Property and Equipment**

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

## **RELATED PARTY TRANSACTIONS**

Over the past three years, we have made loans to many Church Organizations. Some of these loans may have been made to churches whose members, officers or clergy included persons who at the time were our officers or directors or officers or directors of Local Church Ministries. In all instances, we made these loans, if any, under the same terms and at the prevailing interest rate we charge to our other borrowers. Loans or other material affiliated transactions between us and our affiliates, or between us or our affiliates and our executive officers or directors, must be approved by a majority of independent directors who do not have an interest in the transaction. If we only have two (2) independent directors on our board of directors, both independent directors must be disinterested in and approve the loan or material affiliated transaction.

We paid personnel expenses of \$1,200,621 common services fees of \$116,978 and office space expense of \$75,063 in 2021 to service organizations related to the United Church of Christ. In addition, directors and employees of the Cornerstone Fund own Notes totaling \$423,902. See Notes to the Financial Statements, Note 9, as to details of these transactions with related parties.

We previously provided accounting, marketing and loan underwriting services to the Local Church Ministries Church Building & Loan Fund, a ministry of the United Church of Christ, under a contract that was terminated as of December 31, 2019. Revenues recognized under this contract were \$102,000 for the year ended December 31, 2019.

## **USE OF PROCEEDS**

We add the proceeds received from the sale of the Notes to our general funds, and the proceeds are primarily used to make loans to Church Organizations to finance capital improvement projects, including the construction of new church

facilities and the remodeling of existing church facilities throughout the United States and American Samoa. See “HISTORY AND OPERATIONS.” We may also use proceeds to pay interest on outstanding Notes, repay outstanding Notes as they mature or are redeemed, and cover our overall operating expenses. During the year ended December 31, 2021, we advanced \$12,197,720 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, 2021, we had loan commitments or unfunded portions of existing loans totaling \$16,189,727, as to which monies probably will be advanced during 2022. 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 2022 as the proceeds of the sale of our Notes are received.

No underwriters or brokers are participating in this offering and we pay no underwriting discounts or sales commissions in connection with the sale of the Notes. Sales of the Notes will be effected solely through certain of our officers and employees. We will pay all expenses of this offering from the proceeds of the offering, including printing, mailing, attorneys’ fees, accountants’ fees, and securities registration fees which are estimated to be \$136,000 annually.

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

## **THE CORNERSTONE FUND’S LENDING ACTIVITIES**

### **General**

We use the proceeds from the sale of Notes primarily to make loans to Church Organizations. We generally make first mortgage secured loans at interest rates generally equivalent to or slightly lower than prevailing commercial rates. As of December 31, 2021, the average of all loans with outstanding balances is approximately \$386,626. These secured, interest-bearing loans are made predominantly for the construction of churches, parsonages and related facilities and the refinancing of such obligations. In a few instances, some loans may be secured by a Church Organization’s personal property.

At December 31, 2021, the aggregate principal balance of interest-bearing, secured loans, net of participations was \$90,857,179, earning a weighted average interest rate of 4.87%.

Of our loans at December 31, 2021, we had:

<u>Type of loan</u>	<u>Aggregate Net Principal Balance</u>	<u>Percentage of Total Loans</u>
Secured loans	\$90,490,238	99.60%
Unsecured loans	\$366,941	0.40%

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

### **Loan Policies**

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

We are currently making interest-bearing loans at rates adjustable every one (1), three (3), five (5) or ten (10) years, with terms and payment amortization up to thirty (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 sixty (60) days' prior written notice to the borrower. We refinance or extend loans after maturity on the basis of our then prevailing rates and policies.

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

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

We offer a Revolving Line of Credit loan with a maximum loan amount of \$100,000. These loans are secured by a first mortgage on all church property or a second mortgage if the Cornerstone Fund holds the first mortgage. The term of the line of credit is five (5) years. The interest rate changes as the base index changes. The base index is the Wall Street Journal Prime Rate.

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

We offer a Bridge loan with a maximum loan amount of \$250,000. These loans are secured by a first mortgage on all church property or a second mortgage if the Cornerstone Fund holds the first mortgage. The term of the bridge loan is one (1) year. The interest rate changes as the base index changes. The base index is the Wall Street Journal Prime Rate.

We also offer an Unsecured Bridge loan with a maximum loan amount of \$100,000. The term of the bridge loan is one (1) year. The interest rate changes as the base index changes. The base index is the Wall Street Journal Prime Rate. The combined aggregate principal amount of all Unsecured Bridge loans and Unsecured Revolving Line of Credit loans is not to exceed 5% of the outstanding balance of all loans, net of participations, at the time the Unsecured Bridge loan is approved.

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

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

Single advance loans bear interest at the approved rate. If disbursement of the loan is not requested within sixty (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 sixty (60) days of loan approval, the initial interest rate is the interest rate prevailing at the time at least 10% is disbursed.

Our Board of Directors determines the loan policies, which are subject to being changed at any time or waived in particular instances, in the discretion of the Board of Directors. 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, 2021, we had 235 loans outstanding having an aggregate principal balance, net of participations, of \$90,857,179, of which there were 20 loans with principal balances in excess of \$1,000,000. At December 31, 2021, we had 2 loan commitments which when fully funded will have principal balances in excess of \$1,000,000. Consistent with our stated policy, we normally will make no single loan or loan commitment, or aggregate amount of loans or loan commitments net of participations, to one borrower having a principal balance or anticipated principal greater than 15% of the aggregated principal balance, net of participations, of our outstanding loans.

### **Loan Loss Reserves**

An allowance for loan loss reserves is recorded based upon management's review of the outstanding balances within and the historical performance of the loan portfolio. The Fund has adopted ASC 326 Accounting for Current Expected Credit Losses. The Fund's allowance for loan losses was \$1,230,876 as of December 31, 2021. During 2021, we did not charge off any loans. Prior to 2020, no loans had been charged off since we began operations in 1993. See Note 2.G. to the Financial Statements at the end of the Offering Circular. Historically, we have had loan delinquencies from time to time, and there can be no assurance that we will not have a loan loss in the future, which could adversely affect the change in unrestricted net assets.

### **Loan Delinquencies**

For the last three (3) years, we did not have any loans on which interest and/or principal payments were delinquent for ninety (90) days or more at December 31.

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

### **Loan Processing**

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

### **Church Construction Funds on Deposit**

In connection with our construction loans, church borrowers will deposit funds for disbursement during the course of the construction project. Once the funds on deposit are fully disbursed, the church will begin drawing on the construction loan. In addition, we have entered into an agreement with MOLO Village CDC in Louisville, Kentucky to act as the disbursing agent for a construction project. The project was completed, and the funds were fully disbursed by year-end 2021. As of December 31, 2021, the total church construction funds on deposit were \$2,743.

## FINANCING THE CORNERSTONE FUND'S ACTIVITIES

### General

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

### Sale of Notes

#### Outstanding Notes

The following describes our outstanding Notes at December 31, 2021:

<u>Description</u>	<u>Aggregate Number of Notes</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>	<u>Percentage of All Notes</u>
Demand Notes	480	0.67%	\$13,204,981	12.68%
Term Notes	<u>3,610</u>	<u>2.08%</u>	<u>90,947,354</u>	<u>87.32%</u>
TOTALS	<u>4,090</u>	<u>1.81%</u>	<u>\$104,152,345</u>	<u>100.00%</u>

At December 31, 2021, our total outstanding Notes represented 99.61% of our total liabilities. We anticipate that sales of notes will increase during 2022 and thereafter, and our primary means of obtaining the funds necessary to conduct our operations will continue to be the receipt of proceeds from the sale of our Notes to Investors in a number of states.

#### Proceeds from the Sale of Notes and Redemptions in 2021

We received \$83,633,083 in cash proceeds in 2021 from new sales of Notes. Also, approximately \$69,384,387 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, 2021. We had total redemptions of Notes in 2021 of \$86,161,803. We cannot estimate with any degree of certainty the total amount of cash proceeds we will receive in 2022 from new sales of Notes. In addition, we anticipate that out of the outstanding principal and accrued interest on Notes maturing in 2022, a significant amount will be reinvested on new terms or will be automatically extended. Also, we intend to limit the aggregate outstanding principal balance of Demand Notes at any particular time to 20% of the aggregate outstanding principal balance of all Notes at that time.

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

#### Maturity Information

The following shows the amount of our outstanding Notes that are on demand and term notes that will mature in the following years as of December 31, 2021:

<u>Demand and Year</u>	<u>Principal Balance</u>
Demand	\$13,204,991
2022	53,372,647
2023	14,908,208
2024	11,312,893
2025	4,463,121
2026	<u>6,890,485</u>
TOTAL	<u>\$104,152,345</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 (5) years.

<u>Year</u>	<u>Percentage Extended or Reinvested</u>
2021	84.5%
2020	89.7%
2019	92.7%
2018	89.3%
2017	92.3%

### **Loans to Church Organizations**

In addition to the sale of our Notes, we generate funds for operations from the income received on our outstanding loans. At December 31, 2021, the number of loans with outstanding balances, weighted average interest rate, and aggregate principal balance, net of participations, on our loans were as follows:

<u>Description</u>	<u>Number of Loans</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Net Principal Balance</u>
Secured loans	223	4.85%	\$90,490,238
Unsecured Loans	12	<u>4.71%</u>	<u>366,941</u>
TOTAL	235	<u>4.87%</u>	<u>\$90,857,179</u>

At December 31, 2021, our total outstanding loans net of participations and the allowance for loan losses represented 76.79% of our total assets.

### **Interest Income and Principal Repayments**

For the last three (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>
2021	\$4,507,507	\$18,148,434
2020	\$4,796,213	\$19,925,798
2019	\$4,310,284	\$20,259,524

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, 2021:

<u>Year</u>	<u>Principal Repayments</u>
2022	\$15,406,382
2023	2,653,914
2024	2,765,166
2025	2,594,144
2026	4,863,172
Thereafter	<u>62,574,401</u>
Principal Payments	\$90,857,179
Loan Loss Allowance	<u>(1,230,876)</u>
TOTAL	<u>\$89,626,303</u>

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

#### **Cash and Invested Funds**

##### Cash and Invested Funds

In accordance with our policy of maintaining reasonable liquidity, we maintain a portion of our assets in cash and investments (“Invested Funds”). These Invested Funds consist primarily of cash equivalents, money market and certificates of deposit from financial institutions, corporate bonds and annuities from which we hope to generate interest that provides further funds for our operations. At December 31, 2021, these Cash and Invested Funds were as follows:

<u>Description</u>	<u>Weighted Average Rate of Return</u>	<u>Aggregate Market Value</u>
Cash and Cash Equivalents	0.150%	\$15,328,311
Short-term investments	1.375%	513,027
Certificates of Deposits	2.500%	4,506,000
Bonds and Annuities	<u>1.234%</u>	<u>5,000,000</u>
TOTAL	<u>0.677%</u>	<u>\$25,347,338</u>

At December 31, 2021, our Cash and Invested Funds represented 24.34% of the aggregate principal balance of our outstanding Notes and Investment Balances, which is in compliance with our investment policy as stated below.

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

<u>Year</u>	<u>Interest Income</u>
2021	\$90,351
2020	\$194,597
2019	\$235,526

The following shows the net realized and unrealized gain (loss) on our Invested Funds for the last three (3) years:

<u>Year</u>	<u>Gain (Loss) on Invested Funds</u>
2021	(\$13,313)
2020	\$19,498
2019	\$18,979

#### Investment Policies

At the present time it is our policy to invest our Invested Funds in only cash equivalents (highly liquid debt instruments purchased with an original maturity of three (3) months or less, investments in money market and short-term certificates of deposit and jumbo long term certificates of deposit), U.S. government securities, term notes offered by church extension funds, municipal securities, and corporate debt bearing credit ratings of A-1/P1 or higher. A portion of these investments, which totaled \$577,993 as of December 31, 2021, are in a pooled fixed income fund administered by United Church Funds.

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

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

#### **Related Financial Information**

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

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

We had an excess of assets over liabilities (net assets) without donor restrictions of \$11,171,571, \$10,111,489, and \$10,584,469 at December 31, 2021, December 31, 2020, and December 31, 2019, respectively. See “SUMMARY OF OPERATIONS AND SELECTED FINANCIAL INFORMATION.”

## Lines of Credit

We have a \$6,000,000 revolving line of credit with Peoples Bank. We borrow under this line of credit from time to time to fund loans to Church Organizations, when cash flows from other sources are not sufficient. We had \$0 borrowed under this line of credit as of December 31, 2021. Interest is payable monthly at the one-month LIBOR rate (or any successor to LIBOR), plus 2.00% on the first \$3,000,000 of borrowings and 2.75% on any borrowings over \$3,000,000 up to the maximum limit of \$6,000,000. We also are required to pay a bi-annual renewal fee of \$1,000 for the line of credit plus any legal fees for loan renewal document preparation. The line of credit is secured by essentially all assets of the Cornerstone Fund.

As a matter of policy, the amount borrowed on our secured lines of credit will not exceed 10% of our tangible assets. This policy is pursuant to 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 (5) years. You should read this data in conjunction with the current audited financial statements attached to this Offering Circular.

<u>Description</u>	<u>As of December 31,</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash and Invested Funds	\$25,925,331	\$23,573,098	\$17,866,408	\$10,580,298	\$12,684,826
Total Outstanding Loans *	\$90,857,179	\$96,807,894	\$94,712,250	\$80,289,544	\$71,669,021
Unsecured Loans – Amount	\$366,941	\$259,969	\$108,191	\$255,230	\$0
Unsecured Loans – % of Total Loans	0.40%	0.27%	0.11%	0.32%	0%
Loan Delinquencies** – % of Total Loans	0%	0%	0%	0%	0%
Allowance for Loan Losses	\$(1,230,876)	\$(1,277,260)	\$0	\$0	\$0
Total Assets	\$116,711,930	\$120,303,768	\$113,601,736	\$91,587,083	\$85,056,413
Outstanding Line of Credit	\$0	\$0	\$2,500,000	\$0	\$0
Church Construction Funds on Deposit	\$2,743	\$2,331,164	\$5,532,811	\$3,731	\$356,787
Outstanding Notes Payable	\$104,152,345	\$106,681,065	\$94,035,843	\$80,597,933	\$74,483,773
Total Liabilities	\$104,559,221	\$109,357,698	\$102,211,384	\$80,803,711	\$74,936,336
Notes Redeemed During Year	\$86,161,803	\$68,417,944	\$57,154,731	\$60,297,360	\$36,871,768
Net Assets Without Donor Restrictions	\$11,171,571	\$10,111,489	\$10,584,469	\$10,000,205	\$9,326,916
Net Assets With Donor Restrictions	\$981,138	\$834,581	\$805,883	\$783,168	\$793,161
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues, including net (depreciation) appreciation of investments	\$5,091,033	\$5,050,750	\$4,736,828	\$4,085,161	\$4,303,573
Expenses	\$3,884,394	\$4,444,720	\$4,129,848	\$3,421,865	\$3,085,856
Increase in Net Assets Without Donor Restrictions	\$1,060,082	\$577,332	\$584,264	\$673,289	\$424,556
Increase in Net Assets With Donor Restrictions	\$146,557	\$28,698	\$22,716	\$(9,994)	\$793,161

\* Balance of loans outstanding, net of participations.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The Cornerstone Fund was formed in 1993 with a transfer of a portion of the assets of the Church Building Revolving Loan Fund to the Cornerstone Fund. During 1994, we began the process of qualifying our Notes for sale in a number of states, and began contacting numerous Church Organizations concerning their capital projects and the need for financing. In 1995, we began selling our Notes and disbursed new loans to Church Organizations. Since that time, the sale of our Notes and the amount and number of our loans has steadily increased. At December 31, 2021, the aggregate principal balance of our outstanding Notes was \$104,152,345 and the aggregate principal balance on our outstanding loans, net of participations, was \$90,857,179. For the five (5) years from 2017 through 2021 we have had a combined net increase in our net assets without donor restrictions of \$2,269,312, inclusive of the cumulative adjustment for the accounting change described under the Risk Factors entitled “Loan Delinquencies” and “Loan Loss Reserve,” and in Note 2 to the audited financial statements attached to this Offering Circular. As of December 31, 2021, our net assets without donor restrictions were \$11,171,571.

At December 31, 2021 we had \$16,189,727 in loan commitments on which monies probably will be advanced in 2022. Also, in 2022, we anticipate that we will continue to receive proceeds from the sale of our Notes to Investors. The proceeds from the sale of the Notes will increase the amount of funds available to us for loans to Church Organizations.

We 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, 2021, we had net assets of \$12,152,709, which were equal to 10.41% of our total assets. We consider this to be a strong capital position intended to support our growth and operation and to protect Investors against losses in the value of assets available to repay Notes and Investment Balances. We recognize the need to maintain a strong capital position and carefully monitor our capital position as we sell additional Notes to meet the capital needs of Church Organizations.

### Liquidity

Historically, we have made interest and principal payments on our Notes from amounts we receive as principal and interest payments on outstanding loans. We have a policy of maintaining an operating liquidity to provide for anticipated cash requirements equal to 10% of the aggregate principal balance of our outstanding Notes. At December 31, 2021, we had cash and investments of \$25,925,331, which were equal to 24.89% of our outstanding Notes. We also have a \$6,000,000 line of credit that we can draw upon as necessary. See the above section, “Lines of Credit” on page 19.

### 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 2021, in comparing (a) the sum of the cash provided by normal operating activities, liquid assets at the beginning of the year, and cash generated by the sale of Notes to (b) the cash redemptions of Notes, the coverage ratio was 1.26 to 1.

### Loan Delinquencies

At December 31, 2021, we had no loans with principal and/or interest payments that were delinquent ninety (90) days or more.

### Profitability

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

restrictions of \$1,060,082 and \$577,332 in 2021 and 2020 respectively. We achieved a cumulative net positive change of \$2,269,312 in total net assets without donor restrictions over the five (5) year period ended December 31, 2021.

### **Future Plans and Activities**

We intend to hire an individual to serve as Vice President of Sales and Chief Lending Officer, overseeing our lending activities.

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

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

## **TAX ASPECTS**

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

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

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

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

## DESCRIPTION OF THE NOTES

### Terms

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

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

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

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

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

### Giving Bonus

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

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

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

program still be available. In the event the Note is redeemed in whole or in part prior to maturity, normal penalties will apply.

To purchase the Giving Bonus 60-Month Term Note, you need to complete the special application form for such Giving Bonus 60-Month Term Note accompanying this Offering Circular.

### **Racial Equity Giving Bonus Investment Program**

Cornerstone Fund also offers another, similar type of Note (the “60-Month Racial Equity Giving Bonus Note”) for investors who designate a gift of at least 10% of the investment amount to a charitable organization that is addressing racial inequity, regardless of whether such recipient is affiliated with the United Church of Christ. Cornerstone Fund maintains a list of approved recipient organizations eligible for the 60-Month Racial Equity Giving Bonus Note, which is available upon request, and we may approve other organizations identified by the investor. We reserve the discretion whether or not to approve any organization that is not on our approved list of recipients.

The minimum investment for a 60-Month Racial Equity Giving Bonus Note is \$2,500, instead of the \$10,000 minimum for the standard 60-Month Giving Bonus Note. The “bonus” interest rate may accordingly be lower for the 60-Month Racial Equity Giving Bonus Notes than it is for the standard 60-Month Giving Bonus Note. The current interest rates are set forth on the Interest Rate Sheet that accompanies this Offering Circular.

Under either Giving Bonus option, any tax benefits associated with your designation of a gift to an eligible organization depend on whether a gift to the recipient is deductible under applicable tax laws. Cornerstone Fund makes no representations or assurances about the deductibility of an investor’s gift made in connection with an investment in a Giving Bonus Note, nor does our approval of a recipient organization constitute a determination as to the deductibility of the gift.

### **Creation Care Investment & Loan Program**

Through our Creation Care Investment & Loan Program, Cornerstone Fund supports environmental justice efforts by offering more favorable terms on loans to organizations affiliated with the United Church of Christ for projects specifically aimed at improving their impact on the environment and reducing their carbon footprint.

To finance this loan program, we now offer and sell specially-priced Notes (the “36-Month Creation Care Note”), which will pay an interest rate that is lower than the prevailing rate for standard Term Notes of equal term. The current rates are set forth on the Interest Rate Sheet that accompanies this Supplement.

At our discretion, we may allow investors to request that their investment be used to support the Creation Care Investment & Loan Program by indicating their preference on the Investment Application form. Our acceptance of investments that are targeted in this way represents our commitment to use reasonable efforts to make or maintain Creation Care loans in amounts equal to or greater than the amount of the outstanding Notes targeted to that program from time to time. However, investors indicating their desire to support the Creation Care Investment & Loan Program should understand that, due to variability in the availability and timing of appropriate projects and loans, and differences between the terms to maturity of loans and targeted Notes, there may be variations from time to time between the amount of outstanding Notes targeted to a specific area or cause and loans outstanding to that area or cause, and we do not track specific Notes to specific loans. An investor’s indicated preference with respect to targeting their investment does not require Cornerstone Fund to use that investor’s funds in accordance with the targeting preference, and we reserve the right to un-target funds from time to time at our discretion.

### **Flexible Demand Notes**

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

as of the first day of the following month to accrue at the interest rate for Flexible Demand Notes that are not Flexible Demand Plus Notes.

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

### **Interest**

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

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

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

### **Related Investment Plan**

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

### **Early Redemption and Penalty**

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

When early redemption is allowed, we generally charge an early redemption penalty on certain of our Term Notes. Upon such early redemption prior to original or extended maturity, there will be a forfeiture of one month's interest on any Term Note with an original term of six (6) months or less, and a forfeiture of three (3) months' interest on any Note with an original term exceeding six (6) months. When early redemption is allowed, there will be no penalty imposed if the date of redemption is within ten (10) days after the date of maturity or extended maturity. If one or more of the owners of your Term Notes is deceased, we will not impose any early redemption penalty. Also, when early redemption is allowed, generally no early redemption penalty will be imposed in respect to Term Notes purchased pursuant to the Related Investment Plan unless otherwise agreed to as a part of the terms of the Related Investment Plan.

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

## **Kids Club Investment Program – Notes Held as Custodian for Minors**

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

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

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

### **IRA Investments**

We also offer our Demand Notes and Term Notes as investments for Individual Retirement Accounts (“IRAs”), paying interest at a rate as specified in the Rate Sheet at the time of purchase. There is a minimum investment of \$50 for a Demand Note acquired as an IRA and additional purchases in any amount may be made up to the limit allowed by the Internal Revenue Code for one (1) year. There is a minimum investment of \$500 for a Term Note acquired for an IRA. Interest earned on IRA investments grows free of federal and state income taxes until funds are withdrawn. Prior to age 59 ½, all distributions generally are subject to federal and state income taxes and a 10% early distribution penalty, unless the distributions are rolled-over into another allowable retirement plan. There are certain risks and considerations involved in investing in self-directed IRAs and an investor should consider whether there is sufficient liquidity should the IRA beneficiary need to take a mandatory distribution. You should consult with your tax advisor before choosing to invest in our notes in an IRA account due to the tax implications of missing a Minimum Required Distribution and the limitations on the amount a taxpayer can contribute each year.

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

### **ESA Investments**

We also offer our Demand Notes and Term Notes as investments for Coverdell Education Savings Accounts (“ESAs”), paying interest at a rate as specified in the Rate Sheet at the time of purchase. There is a minimum investment of \$50 for a Flexible Demand Note acquired as an ESA and additional purchases in any amount may be made up to the limit allowed by the Internal Revenue Code for one (1) year. There is a minimum investment of \$500 for a Term Note acquired for an ESA. There are certain risks and considerations involved in investing in self-directed ESAs. You should consult with your tax advisor before choosing to invest in our notes in an ESA due to the tax implications and the limitations on the amount a taxpayer can contribute each year.

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

## **Additional Information**

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

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

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

## **Method of Sale**

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

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

With our consent, you generally may transfer the Notes as follows:

- (1) transfers to persons who would be eligible to purchase our Notes originally;
- (2) transfers by gift, order of process of any court, as security for a loan, or on death; or
- (3) transfers to the Cornerstone Fund, to your descendants or spouse, to Investors of the same class of security or transfers by a corporate Investor to a wholly-owned subsidiary or parent company.

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

## Website

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

## MANAGEMENT

### Directors

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

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

The Board of Directors has two (2) regularly scheduled meetings per year. We have an Executive Committee which meets as needed between meetings of the Board of Directors. The Executive Committee has the authority to act on behalf of the full Board, subject to ratification by the full Board. We also have a Finance Committee which, pursuant to and subject to policies set by the Directors, has the authority to determine interest rates and related terms of the Notes as well as the loans made to Church Organizations and manage the Invested Funds.

The following person is our ex officio Director (with full voice and vote) as of the date of this Offering Circular:

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

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

### Terms Expiring December 31, 2022:

- ✧ **Nichelle McCall Browne** serves as CEO of Bold Startups. She has successfully raised \$500,000 within a year for her own tech company as a non-technical founder, making her part of the approximately 0.02% of black women founders in tech to raise venture capital. She has also managed two business accelerators, where entrepreneurs have made over \$3.6 million in revenue in a few years. Over 10 years, Nichelle has advised thousands of entrepreneurs, many of whom have raised millions in early-stage funding. Additionally, Nichelle has helped clients go from \$2,000 to \$20,000 a month in revenue within a year (with no prior startup experience). Nichelle has garnered significant national recognition in *Inc.* Magazine, *Fortune*, *Essence*, *Crain's Cleveland Business*, *The Huffington Post*, *The White House*, *Black Enterprise*, and *SXSW* (South by Southwest). She has been recognized as a Black Woman Tech Founder to Watch by *Inc.* magazine, Young Woman Entrepreneur of the Year, and one of *Crain's* Forty Under 40 professionals. She serves on the boards of social venture consortiums and other organizations, including Social Venture Partners Cleveland and SEA Change.
- Δ **Ginny Brown Daniel** is currently a candidate for the Texas State House of Representatives District 150. She is the former Conference Minister of the Missouri Mid-South Conference of the United Church of Christ. She began her duties in December of 2015. She earned her bachelor's degree from Auburn University and attended Baptist Theological Seminary and Union Presbyterian Seminary, both in Richmond, VA, where she

earned her M.Div. and D. Div. degrees, respectively. Rev. Dr. Daniel brings sixteen years of pastoral experience in two United Church of Christ churches – the first in Maryland and then in Texas. She served as Moderator of the South Central Conference while serving the Houston congregation, and previously served on the Board of the Central Atlantic Conference, and was Moderator of their Annual Meeting. In May, 2015, she began a consulting business called Divine Sparks Consulting which provides leadership conferences and spiritual retreats to ministers.

- + o ◇ **V. Brian Magnone** (See the biographical information on Mr. Magnone below under “Officers and Key Personnel.”)
- o **Patricia J. Eggleston** serves as the Executive Vice President and General Counsel for the Trinity 95th and Cottage Grove Planned Community Development, LLC (dba Imani Village). In her role, she directs, manages, and oversees all aspects of the development; ensures implementation of the organization’s goals and objectives; provides for general legal oversight of the project; and, is responsible for managing stakeholder relationships. Prior to her current role, Ms. Eggleston served as General Counsel and program advisor for Trinity United Church of Christ in Chicago, the denomination’s largest congregation. In this capacity, Ms. Eggleston was responsible for all aspects of Trinity’s legal affairs. She served in this role since 1991. Ms. Eggleston has also maintained a private legal practice, committed to representing and empowering low-income persons. She has a special expertise and extensive experience in real estate, business, contract, church, and non-profit law, representing several churches and non-profit organizations. Ms. Eggleston has been a member of Trinity United Church of Christ since 1981, and has served in various capacities with the denomination, including leadership roles with United Black Christians. She received both her B.A. and J.D. from the University of Illinois.

Terms Expiring December 31, 2023:

- ◇ **John Tyler Connoley** is the Conference Minister of the Central Pacific Conference of the United Church of Christ. He has spent most of his adult life serving in the church, first as a lay leader and then as an ordained minister. He grew up in Zambia, where his parents were missionaries in the Wesleyan Church. He came to the United Church of Christ in 2004 and has served in the conference setting of the United Church of Christ since 2014. Tyler loves connecting people and helping them find their calling, and has years of experience in group and individual discernment processes. He has been a prophetic voice, advocating for full LGBTQ+ religious inclusion since 1992. A biblical theologian and storyteller, Tyler has a Master of Arts in Religion and a Master of Divinity, both from Earlham School of Religion. His undergraduate degree is in Business and Economics from Indiana Wesleyan University. In addition to his ministry activities, Tyler is a small-business owner with his husband.
- + o ◇ **Daniel D. Dubree** (See the biographical information on Mr. Dubree below under “Officers and Key Personnel.”)
- o **Chandra Soans** serves as both the senior pastor of Grace Trinity United Church of Christ, and the Executive Director of Grace Neighborhood Development Corporation. In 1996, Rev. Soans partnered with his Conference (PSEC) to transform a closing church into a new church for the immigrant and surrounding community. Rev. Soans and colleagues took over a dilapidated building in a neighborhood familiar with drug dealers and gun violence. Rev. Soans and 11 members opened Grace Trinity United Church of Christ in July 1996. Over the last 20 years, the church has grown into a congregation with dynamic worship, far-reaching fellowship and discipleship, and engaging community service. Since then, he has also transformed former church properties into much needed day care facilities. Rev. Soans has also been a long-time client of the Fund. Rev. Soans has also created the Grace Neighborhood Development Corporation (GNDC) to serve the local community. GNDC provides pre- purchase counseling, credit counseling, home ownership and maintenance counseling and other financial services to the local community. The mission of the GNDC is to aid low-income families into home ownership. Economic development is an equally important aspect of GNDC, and it owns more than 7,000 sq. ft. of commercial space for new and existing businesses, generating more than 100 jobs.

- + Δ **Courtney Stange-Tregear** is a clergyperson in the United Church Christ anchored in the dynamic work of social justice advocacy and congregational transformation. After having spent time pastoring in local congregations in both California (Ladera Community Church, Portola Valley) and Maryland (Zion United Church of Christ, Nottingham), she now serves as the Minister of Church Vitality for the Pacific Northwest Conference of the United Church of Christ. In this capacity, both her love for the local parish and community organizing come into play as she consults and partners with congregations to build more dynamic, integrative, and intersectional churches for the future of the mainline church. Rev. Stange-Tregear's work as a pastor and conference staff has its roots in her training in the Great Books tradition of St. John's College where she received her undergraduate degree. She also holds degrees from the University of Leeds in Philosophy and Religion and a Masters of Divinity from Andover Newton Theological Seminary. Rev. Stange-Tregear was a participant in the United Church of Christ Pension Boards Next Generation Leadership Initiative (NGLI), Class of 2024. She has been an advocate on issues of maternal health, homelessness, and economic justice.
- \* + o **Norman Williams** retired as Chairman of the Board of Directors and CEO of Illinois-Service Federal Savings and Loan Association in April of 2016, after completing a successful recapitalization of the bank. Having served since 1976 on the Board of Directors, he also during which time served as Treasurer and a member of the executive, loan, asset liability, and audit committees of the bank. In addition, Mr. Williams was the past Chairman and member of the Board of Directors of the Illinois League of Financial Institutions and has served as a member of the Board of Directors of the American Bankers Association. He is the Immediate Past Chair of the Board of Trustees of Chicago Theological Seminary and served as Moderator of the 32nd General Synod of the United Church of Christ. He is the Immediate Past Chair of the Cornerstone Fund of the United Church of Christ. Having served his local church as Chair of the Diaconate, Chair of the Board of Trustees, and Treasurer, he has returned to serve them again as Treasurer. He owns and operates Unity Funeral Parlors, Inc., as the second generation of a funeral service business in Chicago founded by his father. Mr. Williams is a graduate of Amherst College in Amherst, Massachusetts.

Terms Expiring December 31, 2024:

- o **Cindy P. Crotty** is a retired financial services executive with over 35 years of experience in commercial, retail, private and corporate banking. She was formerly the Executive Vice President and Regional President of Peoples Bank. She reported to the CEO and was responsible for leading and growing all bank operations for the North Region including retail, commercial, business banking, investment management and insurance. Prior to Peoples Bank Ms. Crotty spent 20 years at KeyCorp, most recently as an Executive Vice President and a member of KeyCorp's Executive Council, where she was responsible for the Commercial Client segment. Prior to KeyCorp, she spent 14 years in various corporate finance and wealth management leadership roles at Citibank, NA (now Citigroup, NA). Ms. Crotty was trustee on the Board of Trustees of the University of Akron and a board member of The Gathering Place, and Hathaway Brown School, is past president and former board member of Beech Brook, retired board member of the Visiting Nurse Association, and was an inaugural member of the United Way Women's Leadership Council. She is a graduate of the University of Georgia with a Bachelor of Business Administration in Accounting and completed the Key Executive Experience at the Weatherhead School of Management at Case Western Reserve University.
- ◇ **Dennis Coy** currently serves as senior pastor of Congregational United Church of Christ in Canton, Ohio – and has served this congregation since early 2014. Mr. Coy is the Vice President, Chief Risk Officer for Century Federal Credit Union. Mr. Coy also serves as a member of the United Church of Christ Board of Directors. Mr. Coy is a career investigator and investigations manager in both the public and private sectors with over 20 years of experience as a specialist in the area of White Collar Crimes and financial crimes, in general. Mr. Coy has served as an executive overseeing risk, compliance, and investigations in the banking, financial services, and financial technology (FinTech) sectors. Mr. Coy is also active in his community and has served in various roles with regional and state-wide nonprofit organizations. He has a B.A. in Legal Studies from Dominican University and attended the University of London for divinity and theological studies.
- Δ **Bee Moorhead** currently serves as Executive Director of Texas Impact, a position she has held since 2000. Mss. Moorhead also serves as Executive Director of the Texas Interfaith Center for Public Policy. The Texas Interfaith Center for Public Policy was established by the board of directors of Texas Impact to improve and

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

\* + Δ ☒ **Elizabeth Walker** has been engaged in the legal profession for over 30 years. Currently, she is a sole practitioner in Philadelphia, Pennsylvania having retired from Zurich America Insurance Company where she specialized in the field of employment law, educating, training, counseling and defending insured employers. Ms. Walker is a graduate of Rutgers College, New Brunswick, New Jersey, where she earned a B.A. in Economics. She attended Colgate Rochester/Bexley Hall/Crozier Theological Seminary studying applied ethics before earning her Juris Doctor Degree from Temple University School of Law in Philadelphia, Pennsylvania. She is admitted to the bars of the State of New Jersey and Commonwealth of Pennsylvania. Ms. Walker is an active member of Old First Reformed United Church of Christ where she serves as Director of Community Engagement. She is Vice-Moderator of the Philadelphia Association of the United Church of Christ and serves on the Nominating Committee of the Pennsylvania Southeast Conference of the United Church of Christ. Ms. Walker is also serving on the Taskforce developing a Manual on Church for the United Church of Christ. Ms. Walker has previously served on the Unified Board of the United Church of Christ from 2013 to 2015 and before that on the Local Church Ministries Board. Ms. Walker has served on the Cornerstone Fund Board of Directors from 2012-2017 and from 2019-present, previously serving as Secretary and a member of the Board’s Strategic Planning Taskforce.

+ ☒ **Darrell Goodwin** is the first Executive Conference Minister of the Southern New England Conference, United Church of Christ. As the Chief Vision-Keeper, he is responsible for guiding the conference and its affiliates to have a positive and lasting impact in our world. The Rev. Goodwin is a member of the United Church of Christ Board, the UCC Council for Health and Human Service Ministries, and the Global Ministries Board. He brings to his varying leadership roles extensive experience in pastoral ministry and higher education. He served as an Associate Conference Minister for the Iowa, Nebraska and South Dakota Conferences, and has served as Pastor and Founder of Liberation United Church of Christ in Seattle, Everett United Church of Christ and Chaplain Intern at VA Puget Sound Health Systems). Before full-time ministry, he served in several positions in Jesuit higher education, including Assistant Director of Student Life for Judicial Affairs, Associate Director of Multicultural Affairs, Acting Director of Multicultural Affairs, Assistant Dean of Students, Associate Dean of Students, and Dean of Students. The Rev. Goodwin holds a Bachelor of Arts in Human Development and Theology from Boston College; a Master of Education in Higher Education and Student Affairs Administration from The University of Vermont; a Master of Arts in Transforming Spirituality from Seattle University; and is currently a doctoral candidate in San Francisco Theological Seminary’s Doctor of Ministry program.

☒ **Timothy Tutt** currently serves as the Senior Pastor of Westmoreland Congregational United Church of Christ. He is a graduate of Baylor University and Baptist Theological Seminary at Richmond in Richmond Virginia. The Rev. Dr. Tutt also holds a Doctor of Ministry (focusing on Public Theology) from Wesley Seminary. Prior to entering seminary, he worked on Capitol Hill as a Legislative Assistant. After seminary, he served as Protestant Chaplain at Georgetown University for a school year. From June 2001 until July 2012, Tim served as Senior Pastor of United Christian Church in Austin, Texas. He serves on the Board of Reach Beyond Mission and on various denominational committees. Tim is an occasional writer at OnFaith and New Sacred.

#### Non-voting Director Emeritus:

**Thomas E. Dipko** is the retired Executive Vice President of the United Church Board for Homeland Ministries and former founding member of the Board of Directors of the Cornerstone Fund, still serving in a non-voting emeritus role. He served as a local church pastor for 21 years and as Conference Minister of the

Ohio Conference for 8 years. His specializations include ecumenical theology and liturgy, and he served as the first draft writer of the United Church of Christ Book of Worship. He holds a B.A. from Otterbein College, an M.Div. from United Theological Seminary (Dayton), and a Ph.D. from Boston University.

- + Members of the Executive Committee.
- o Members of the Finance & Loan Committee.
- ◇ Members of the Audit Committee.
- Δ Members of the Governance Committee.
- ⌘ Members of the Marketing Committee.
  
- \* Elizabeth Walker is Chairperson of the Board for 2022.
- \* Norman Williams is Vice Chairperson of the Board for 2022.

## Officers and Key Personnel

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

**Maria C. Coyne** – President and Chief Executive Officer  
**Kathy L. Houston** – Vice President, Chief Financial Officer and Chief Operating Officer  
**V. Brian Magnone** – Secretary  
**Daniel D. Dubree** – Treasurer

The following is a summary of the officers, their present duties, their background, and experience for at least the last five (5) years:

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

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

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

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

## Remuneration

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

The following table sets forth the amount of all annual remuneration of the officers whose total remuneration exceeded \$150,000 in 2021 and the total remuneration in aggregate for all officers who received compensation directly from Cornerstone Fund for 2021:

<u>Officer</u>	<u>Salary</u>	<u>Bonus</u>	<u>Health or Other Insurance</u>	<u>Retirement Plan Contribution</u>	<u>Personal Use of Assets</u>	<u>Total Remuneration</u>
Maria C. Coyne	\$209,000	\$2,000	\$29,843	\$28,840	\$ -	\$269,683
Jeanine Heasley-Colozza	133,000	-	30,238	18,200	-	181,438
Kathy Houston	120,00	-	16,145	16,380	-	152,525
All officers (in aggregate)	\$462,000	\$2,000	\$76,225	\$63,420	\$-	\$603,646

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

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

As of December 31, 2021, our officers, directors, and staff as a group had invested the aggregate amount of \$423,902 in our Notes, which represented 0.41% of our total outstanding Notes held by Investors at the time. Because of the continuous nature of our offerings of Notes and the personal nature of investment by our officers, directors, and staff, we cannot state as to whether any further investment by officers, directors, and staff will occur in the future.

## Pension/Retirement Plan

All officers and staff rendering services to us are eligible for the retirement benefits. Operating expenses include a portion of the retirement contributions for these employees totaling \$113,482 in 2021.

## **LITIGATION**

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

## **ADMINISTRATIVE MATTERS**

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

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

## INDEPENDENT AUDITORS

The financial statements of Cornerstone Fund as of and for the years ended December 31, 2019, 2020 and 2021 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 one hundred twenty (120) days after the close of each fiscal year. At the present time, our fiscal year ends on December 31.

## INTERNAL CONTROLS

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

## DEFINITIONS

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

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

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

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

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

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

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

## **Exhibit A – Audited Financials**

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

**FINANCIAL REPORT**

**DECEMBER 31, 2021**

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

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### Independent Auditors' Report

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

#### **Opinion**

We have audited the financial statements of United Church of Christ Cornerstone Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of United Church of Christ Cornerstone Fund, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Church of Christ Cornerstone Fund, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Church of Christ Cornerstone Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Church of Christ Cornerstone Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Church of Christ Cornerstone Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

## **Report on Summarized Comparative Information**

We have previously audited United Church of Christ Cornerstone Fund, Inc.'s 2020 and 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our reports dated March 11, 2021 and March 11, 2020, respectively. In our opinion, the summarized comparative information presented herein as of and for the years ended December 30, 2020 and 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Meloney + Novotny LLC*

Cleveland, Ohio  
March 10, 2022

## UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

## STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With Comparative Totals at December 31, 2020 and 2019)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>			
Church building loans receivable (Notes 2 and 5)	\$ 89,626,303	\$ 95,530,635	\$ 94,712,250
Cash and equivalents (Note 2)	15,328,311	16,100,857	6,347,791
Short-term investments (Note 2)	513,027	1,750,000	1,999,000
Investments (Notes 2 and 4)	10,083,993	5,722,241	9,519,617
Accrued interest receivable	391,392	520,436	399,876
Other assets	<u>768,904</u>	<u>679,599</u>	<u>623,202</u>
TOTAL ASSETS	<u>\$116,711,930</u>	<u>\$120,303,768</u>	<u>\$113,601,736</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Interest bearing investment obligations (Notes 6 and 9)	\$104,152,345	\$106,681,065	\$ 94,035,843
Line of credit (Note 7)	-	-	2,500,000
Paycheck Protection Program loan (Note 13)	-	214,600	-
Church construction funds on deposit (Note 2)	2,743	2,331,164	5,532,811
Accounts payable and other accrued expenses (Note 9)	<u>404,133</u>	<u>130,869</u>	<u>142,730</u>
Total liabilities	104,559,221	109,357,698	102,211,384
<u>NET ASSETS</u>			
Without donor restriction	11,171,571	10,111,489	10,584,469
With donor restriction	<u>981,138</u>	<u>834,581</u>	<u>805,883</u>
Total net assets	<u>12,152,709</u>	<u>10,946,070</u>	<u>11,390,352</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$116,711,930</u>	<u>\$120,303,768</u>	<u>\$113,601,736</u>

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

## UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2021

(With Comparative Totals for the Years Ended December 31, 2020 and 2019)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020	2019
<b>REVENUES</b>					
Interest on church building loans	\$ 4,498,687	\$ 8,820	\$ 4,507,507	\$ 4,796,213	\$ 4,310,284
Income on cash, cash equivalents and investments:					
Interest	84,418	5,933	90,351	194,597	240,430
Net (depreciation) appreciation in fair value of investments	(1,050)	(12,263)	(13,313)	19,498	18,979
Total income on cash, cash equivalents and investments	83,368	(6,330)	77,038	214,095	259,409
Contribution revenue	303,150	150,000	453,150	1,040	42,189
Other	53,338	-	53,338	39,402	124,946
Net assets released from restrictions	5,933	(5,933)	-	-	-
Total revenues	4,944,476	146,557	5,091,033	5,050,750	4,736,828
<b>EXPENSES</b>					
Interest on investment obligations	2,005,639	-	2,005,639	2,265,615	2,095,918
Interest on borrowings	-	-	-	381	25,984
Provision for loan losses (Note 2)	(46,383)	-	(46,383)	234,447	-
Management and common service fees (Note 9)	1,342,662	-	1,342,662	1,262,205	1,298,084
General and administrative	324,320	-	324,320	291,760	561,115
Contribution expense	-	-	-	-	4,800
Professional services	258,156	-	258,156	195,879	143,947
Insurance	-	-	-	194,433	-
Total expenses	3,884,394	-	3,884,394	4,444,720	4,129,848
CHANGES IN NET ASSETS	1,060,082	146,557	1,206,639	606,030	606,980
NET ASSETS – BEGINNING OF YEAR	10,111,489	834,581	10,946,070	11,390,352	10,783,372
CUMULATIVE ADJUSTMENT FOR ACCOUNTING CHANGE	-	-	-	(1,050,312)	-
NET ASSETS – END OF YEAR	<u>\$11,171,571</u>	<u>\$ 981,138</u>	<u>\$12,152,709</u>	<u>\$10,946,070</u>	<u>\$11,390,352</u>

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

## UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

(With Comparative Totals for the Years Ended December 31, 2020 and 2019)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Changes in net assets	\$ 1,206,639	\$ 606,030	\$ 606,980
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Net depreciation (appreciation) in fair value of investments	13,313	(19,498)	(18,979)
Forgiveness of Paycheck Protection Program loan	(214,600)	-	-
Provision for loan losses	(46,383)	234,447	-
Change in operating assets and liabilities:			
Accrued interest receivable	129,044	(120,560)	9,157
Other assets	(89,305)	(56,397)	(314,994)
Accrued interest payable	-	-	(57)
Accounts payable and other accrued expenses	<u>273,264</u>	<u>(11,861)</u>	<u>(84,260)</u>
Total adjustments	<u>65,333</u>	<u>26,131</u>	<u>(409,133)</u>
Net cash provided by operating activities	1,271,972	632,161	197,847
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Amounts disbursed for church building loans	(12,197,720)	(22,028,942)	(34,673,877)
Principal repayments received on church building loans	18,148,434	19,925,798	20,259,524
(Disbursement) receipt of church construction funds on deposit	(2,328,421)	(3,201,647)	5,529,080
Net redemptions of short-term investments	1,236,973	249,000	(550,000)
Purchases of investments	(9,014,064)	(6,748,126)	(8,694,000)
Proceeds from sales and maturities of investments	<u>4,639,000</u>	<u>10,565,000</u>	<u>7,396,000</u>
Net cash provided (used) by investing activities	484,202	(1,238,917)	(10,733,273)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of investment obligations	83,633,083	81,063,166	70,592,641
Redemption of investment obligations	(86,161,803)	(68,417,944)	(57,154,731)
Receipt of tenant improvement credit	-	-	25,000
Receipt of Paycheck Protection Program loan	-	214,600	-
Payments on line of credit	-	(2,500,000)	-
Borrowings on line of credit	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Net cash (used) provided by financing activities	<u>(2,528,720)</u>	<u>10,359,822</u>	<u>15,962,910</u>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	(772,546)	9,753,066	5,427,484
<b>CASH AND EQUIVALENTS – BEGINNING OF YEAR</b>	<u>16,100,857</u>	<u>6,347,791</u>	<u>920,307</u>
<b>CASH AND EQUIVALENTS – END OF YEAR</b>	<u>\$ 15,328,311</u>	<u>\$ 16,100,857</u>	<u>\$ 6,347,791</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the year for:			
Interest	<u>\$ 2,005,639</u>	<u>\$ 2,265,996</u>	<u>\$ 2,121,959</u>

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

# UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

### **Note 1. Organization**

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

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

### **Note 2. Summary of Significant Accounting Policies**

A. Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Fund has reported information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions represent resources received without time or purpose restriction. Net assets with donor restrictions result from timing differences between the receipt of funds and the incurrence of the related expenses. The Fund reports gifts of cash and other assets as revenues with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

B. Revenue Recognition – Interest on church building loans is recognized as revenue in the period it is earned. If a loan is placed on nonaccrual status, all accrued and unpaid interest is reserved for. There was no reserved accrued interest as of December 31, 2021, 2020 and 2019.

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

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

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Summary of Significant Accounting Policies (Continued)**

- C. Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. Church Building Loans Receivable – Loans are made to fund the construction, acquisition, and expansion of church facilities. Mortgages are held against these properties and are stated at their unpaid principal balance. Repayment of the loans is dependent upon many factors, including the continued membership and support of the borrower and the borrower's or Fund's ability to sell the underlying property in the event of foreclosure. The Fund serves as a disbursing agent for certain church borrowers. Under these agreements, the borrowers deposited funds with the Fund to pay construction draws prior to advances being disbursed on the construction loans. As of December 31, 2021, 2020 and 2019, \$2,743, \$2,331,164 and \$5,532,811, respectively, remained and was recorded as church construction funds on deposit.

During 2017, the Fund originated two loans in which it obtained a participation from the Church Building Loan Fund (the "CBLF"), an affiliated agency of the UCC. During 2019, the Fund originated two additional loans in which it obtained a participation from the CBLF and during 2020, the Fund obtained participations on two existing loans from the Disciples Church Extension Fund. The Fund maintains the servicing of the loans and, through the participation agreements, remits the allocated portion of principal and interest to the CBLF. Loan participations are presented net of the related outstanding loan balance they are associated with and amounted to \$16,653,759, \$15,570,823 and \$11,440,826 as of December 31, 2021, 2020 and 2019, respectively.

During 2021, the Fund obtained participations on two existing loans from the Disciples Church Extension Fund and the Mission Investment Fund of the ELCA.

- E. Cash and Equivalents – The Fund considers all highly liquid debt instruments purchased with an original maturity of three months or less and investments in money market and short-term mutual funds to be cash equivalents. The Fund places its temporary cash investments with various financial institutions, which may exceed federally insured amounts at times and may exceed reported values due to outstanding checks.
- F. Short-Term Investments – Short-term investments consist of certificates of deposit purchased with original maturities of greater than three months, but are not held for long-term investment. Short-term investments are carried at cost. These certificates of deposit are placed with various financial institutions, but are monitored to ensure they are within federally insured limits.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Summary of Significant Accounting Policies (Continued)**

- G. Allowance for Loan Losses – An allowance is recorded to reduce the loan balance if the level of delinquencies indicates probable uncollectible balances in the future, based upon management's review of the loan portfolio and past collection history. In 2021, the Fund established a risk rating program to develop expected loss estimates. The risk rating program provides a standardized method of measuring and monitoring the loan risk within a loan portfolio based upon financial information of the borrowing institution. Loans are charged off when management determines that all or a portion of the balance will not be collected through payment or liquidation of underlying collateral. Loans are generally placed on nonaccrual status when greater than 90 days past due. Because the Fund's loans are receivable only from UCC congregations and affiliated agencies, management does not believe that further segmentation of the portfolio as required by ASC 310 would be meaningful. Due to the nature of the Fund's relationship with its borrowers, the Fund is willing to make accommodations with borrowers whose payments are not current or to refinance their outstanding obligations. It is the Fund's policy to aid its borrowers to try and meet their obligations without disclosure. The allowance for loan losses was \$1,230,876, \$1,277,260 and \$-0- as of December 31, 2021, 2020 and 2019, respectively. No loans were charged off during the years 2021, 2020 and 2019. No loans were ninety days or more past due as of December 31, 2021, 2020 and 2019. No loans were on nonaccrual status as of December 31, 2021, 2020 and 2019.
- H. Loan Origination Costs – Deferred costs of processing loan applications are included in other assets and amortized on a straight line basis for interest only and credit line loans, and for all other loans on a level yield method over the original lives of the loans. The net unamortized origination costs were \$225,544, \$225,740 and \$225,042 as of December 31, 2021, 2020 and 2019, respectively, and are included in other assets in these financial statements.
- I. Fair Value of Financial Instruments – The carrying values of cash and equivalents, accounts and other receivables, and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments.

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

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

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

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

- J. Liquidity – The general order of liquidity of assets is cash and equivalents, investments, loans and accrued interest receivable, and other assets. The general order of liquidity of liabilities is interest bearing demand investment obligations, balances on the line of credit, accounts payable and other accrued expenses, and interest bearing term obligations (including accrued interest).

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Summary of Significant Accounting Policies (Continued)**

- K. Noncash Transactions – The Fund had noncash activity related to church building loan renewals which amounted to approximately \$14,226,521, \$9,784,008 and \$2,052,100 in 2021, 2020 and 2019, respectively.
- L. Comparative Information – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Fund's financial statements for the years ended December 31, 2020 and 2019, from which the summarized information was derived.
- M. Subsequent Events – Management has performed an analysis of the activities and transactions subsequent to December 31, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2021. Management has performed their analysis through March 10, 2022.

**Note 3. Reserve Requirements and Liquidity**

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

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 2021, 2020 and 2019.

The Fund's financial resources available within one year to meet general expenditures were as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$15,328,311	\$16,100,857	\$ 6,347,791
Short-term investments	513,027	1,750,000	1,999,000
Current maturities of long-term investments	3,606,000	3,139,059	3,687,831
Current maturities of loans receivable	<u>15,406,382</u>	<u>11,167,873</u>	<u>13,617,652</u>
Total	<u>\$34,853,720</u>	<u>\$32,157,789</u>	<u>\$25,652,274</u>

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

## UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 4. Investments**

At December 31, 2021, 2020 and 2019, the Fund's investments consisted of certificates of deposit with maturities ranging from 6 months to 60 months, fixed annuity contracts, and holdings in a pooled fixed income fund administered by United Church Funds ("UCF") as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ 4,506,000	\$ 5,317,059	\$ 9,134,831
Fixed annuity contracts	5,000,000	-	-
UCF investments	<u>577,993</u>	<u>405,182</u>	<u>384,786</u>
Total	<u>\$10,083,993</u>	<u>\$ 5,722,241</u>	<u>\$ 9,519,617</u>

The Fund's investments in certificates of deposit are carried at cost, which approximates market value, based upon market rates for similar certificates of deposit, generally a Level 2 method. Funds invested in a fixed annuity contract are presented at contract value, which is not observable in a public marketplace, generally a Level 3 method. Funds invested with UCF are presented at fair value based upon the stated value per unit as quoted by UCF as a practical expedient, generally a Level 2 method. The UCF investment has daily liquidity.

Scheduled maturities of the Fund's investments in certificates of deposit at December 31, 2021 were:

	<u>Certificates of Deposit</u>
2022	\$ 3,606,000
2023	<u>900,000</u>
Total	<u>\$ 4,506,000</u>

**Note 5. Church Building Loans Receivable**

Virtually all church building loans are collateralized by a mortgage or deed of trust. The weighted average interest rate on all outstanding loans is 4.87%, 4.97% and 5.06% at December 31, 2021, 2020 and 2019, respectively.

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

2022	\$15,406,382
2023	2,653,914
2024	2,765,166
2025	2,594,144
2026	4,863,172
Thereafter	<u>62,574,401</u>
Principal payments	90,857,179
Loan loss allowance	<u>(1,230,876)</u>
Total	<u>\$89,626,303</u>

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 5. Church Building Loans Receivable (Continued)**

As of December 31, 2021, 2020 and 2019, the outstanding balances of lines of credit included in the church building loans receivable were \$1,980,161, \$1,992,741 and \$3,008,332, respectively.

As of December 31, 2021, 2020 and 2019, the Fund has approved commitments of \$16,189,727, \$9,750,252 and \$13,594,732 respectively, for both additional loans and the unfunded balances of existing construction loans and lines of credit.

**Note 6. Interest Bearing Investment Obligations**

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

Type of Account	Weighted Average Interest December 31, 2021	December 31,					
		2021		2020		2019	
		Amount	%	Amount	%	Amount	%
Demand obligations:							
Individuals	0.68 %	\$ 3,565,405	3.42 %	\$ 2,708,747	2.54 %	\$ 1,124,028	1.41 %
Churches	<u>0.67</u>	<u>9,639,586</u>	<u>9.26</u>	<u>6,924,023</u>	<u>6.49</u>	<u>4,136,414</u>	<u>7.57</u>
Total demand	0.67	13,204,991	12.68	9,632,770	9.03	5,260,442	8.98
Term obligations:							
Individuals	2.05	36,886,240	35.42	36,871,125	34.56	34,436,607	33.06
Churches	1.91	51,691,166	49.63	57,886,834	54.26	52,164,335	55.23
IRAs	<u>2.29</u>	<u>2,369,948</u>	<u>2.27</u>	<u>2,290,336</u>	<u>2.15</u>	<u>2,174,459</u>	<u>2.73</u>
Total term	<u>2.08</u>	<u>90,947,354</u>	<u>87.32</u>	<u>97,048,295</u>	<u>90.97</u>	<u>88,775,401</u>	<u>91.02</u>
Total investment obligations	<u>1.81</u> %	<u>\$ 104,152,345</u>	<u>100.00</u> %	<u>\$ 106,681,065</u>	<u>100.00</u> %	<u>\$ 94,035,843</u>	<u>100.00</u> %

The interest bearing term investment obligations at December 31, 2021 mature as follows:

2022	\$53,372,647
2023	14,908,208
2024	11,312,893
2025	4,463,121
2026	<u>6,890,485</u>
Total	<u>\$90,947,354</u>

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 6. Interest Bearing Investment Obligations (Continued)**

The interest bearing term investment obligations generally mature over a range of six months to five years and typically are renewable automatically at maturity, unless the investor requests payment. Term deposits with balances greater than \$250,000 were \$19,318,621, \$26,476,835 and \$19,713,093 as of December 31, 2021, 2020 and 2019, 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 2021, the Fund is not duly registered to sell interest bearing investment obligations in two states. The Fund is working to register or qualify for exemption from registration to sell investment obligations in these states.

**Note 7. Financing Arrangement**

The Fund has a line with Peoples Bank which provides for maximum borrowing of \$6,000,000. Interest on outstanding balances is due monthly at a varying rate dependent upon the amount outstanding and can be based on either the one-month LIBOR rate or the prime rate with a minimum rate of 2.00% for balances less than \$3,000,000 and 2.75% for balances greater than \$3,000,000. As of December 31, 2021, 2020 and 2019 there was \$-0-, \$-0- and \$2,500,000, respectively, outstanding on this line of credit carrying an interest rate of 2.75%. The People's Bank line of credit matures November 30, 2023.

**Note 8. Net Assets With Donor Restrictions**

Net assets with donor restrictions are designated for the following purposes:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Assets With Donor Restrictions:			
Subject to expenditure for a specified purpose:			
Missouri Mid-South Conference:			
Loan balance	\$315,222	\$572,673	\$508,845
Cash balance	<u>515,916</u>	<u>261,908</u>	<u>297,038</u>
	831,138	834,581	805,883
Subject to the passage of time:			
Contribution	<u>150,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$981,138</u>	<u>\$834,581</u>	<u>\$805,883</u>

**Note 9. Balances and Transactions With Related Parties**

The Fund recorded personnel expense of \$1,200,621 in 2021, \$1,101,892 in 2020 and \$1,133,107 in 2019. Common services fees totaled \$116,978 in 2021, \$129,143 in 2020 and \$134,378 in 2019. The Fund rents its office space under an operating lease with 700 Prospect Corporation, an affiliate of the UCC, which was set to expire December 31, 2021. The Fund signed a new ten-year lease effective January 1, 2019, which included a \$25,000 tenant improvement payment from the landlord. Rental payments are adjusted annually based upon changes in 700 Prospect Corporation's real estate taxes.

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 9. Balances and Transactions With Related Parties (Continued)**

The Fund entered into a lease termination agreement with 700 Prospect Corporation, an affiliate of the UCC, that provides for the Fund to remain at its current location through March 15, 2022 or the date that the United Church of Christ and Covenanted Ministries vacate their premises at 700 Prospect Avenue, whichever is later. It is anticipated that the Fund will move to its new location as of May 1, 2022. The Fund has entered into a new ten-year, six-month lease agreement with 1300 East Ninth Street Cleveland, LLC which becomes effective on the date that the Fund takes occupancy of the leased space. Rental payments are adjusted annually per the new lease agreement.

Anticipated rentals under the lease agreement are as follows:

2022	\$ 102,279
2023	117,592
2024	120,246
2025	122,959
2026	125,731
Thereafter	<u>864,218</u>
Total	<u>\$1,453,025</u>

Office space expense for the Fund was \$75,063 in 2021, \$75,027 in 2020 and \$75,028 in 2019. As of December 31, 2021, the Fund has recorded a deferred lease expense liability of \$2,865, which is included in accounts payable and other accrued expenses in the statement of financial position.

Accrued expenses include amounts due to UCC Common Services Corporation and other related parties for fees and other reimbursable costs of \$14,650 in 2021, \$13,221 in 2020 and \$14,437 in 2019.

The Fund has interest bearing investment obligations due to directors and employees of the Fund of \$423,902, \$270,450 and \$207,748 as of December 31, 2021, 2020 and 2019, respectively.

**Note 10. Retirement Plan**

Substantially all employees of the Fund are covered by a noncontributory defined contribution retirement plan administered by The Pensions Boards - United Church of Christ, an affiliate of the UCC. Contributions to the plan are at 14% of employees' annual salaries. At retirement, employees may select from several annuity options available for benefits. Effective July 2018, the Fund provided SEP accounts to which Fund contributions were made. Retirement contributions amounted to \$113,482, \$101,528 and \$105,091 in 2021, 2020 and 2019, respectively.

## UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 11. Functional Expenses**

The functional classification of expenses is a method of grouping expenses according to the purpose or activity for which costs are incurred. Interest expense on investment obligations and on borrowings to fund church loans are allocated directly to program. All other expenses are allocated based upon an estimated proportion of staff time spent on the related function. The classification of expenses by function for the Fund is as follows for the years ended December 31, 2021, 2020 and 2019:

	2021		
	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Interest expense	\$2,005,639	\$ -	\$2,005,639
Salaries and benefits	936,604	213,017	1,149,621
Lending services	173,437	-	173,437
Marketing	6,782	45,974	52,756
Occupancy costs	118,539	73,502	192,041
Professional fees	230,010	28,146	258,156
Administration	-	52,744	52,744
Total	<u>\$3,471,011</u>	<u>\$ 413,383</u>	<u>\$3,884,394</u>

	2020		
	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Interest expense	\$2,265,996	\$ -	\$2,265,996
Salaries and benefits	862,859	192,533	1,055,392
Lending services	425,297	-	425,297
Marketing	10,847	49,459	60,306
Occupancy costs	124,593	79,577	204,170
Professional fees	174,006	21,872	195,878
Administration	-	237,681	237,681
Total	<u>\$3,863,598</u>	<u>\$ 581,122</u>	<u>\$4,444,720</u>

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

UNITED CHURCH OF CHRIST CORNERSTONE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 12. Capital Ratios**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net assets to risk weighted assets	10.5%	9.2%	10.1%
Net assets to total assets	10.4%	10.0%	10.0%

**Note 13. COVID-19 Global Pandemic**

On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease 2019 ("COVID-19") a global health emergency and subsequently declared the COVID-19 outbreak a global pandemic in March 2020. The pandemic has adversely affected domestic and global economic activity and the full impact continues to evolve as of the date of this report.

On March 27, 2020, the federal government enacted the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The CARES Act created the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration. In April 2020, the Fund received a \$214,600 loan under the PPP. The loan was recorded as debt until July 6, 2021 when it was fully forgiven and recorded as income.

## **Exhibit B – Applications to Purchase**