

PROSPECTUS

INVESTMENT ACCOUNTS OFFERED BY

Grace Brethren Investment Foundation, Inc.

P.O. Box 587, Winona Lake, Indiana 46590

Phone: (888) 340-4243

in an offering amount not to exceed \$35,000,000 nationwide under this Prospectus.

<u>Type of Securities</u>	<u>Minimum Investment Amount</u>	<u>Current Rate of Interest</u>
Investment Accounts	\$25.00	2.50%*

* As of the date of this Prospectus, interest on Investment Accounts is being paid at the rate of 2.50% annually, compounded daily. This rate has been in effect since June 1, 2010. The rate of interest payable on the Investment Accounts is subject to change by the Foundation from time to time, without approval or consent by the holders of the Investment Accounts. The Investment Accounts have no stated maturity date. The Foundation is obligated to pay principal and interest to a holder of an Investment Account not later than 30 days after demand to the Foundation is made for payment. See "DESCRIPTION OF INVESTMENT ACCOUNTS" and "DESCRIPTION OF THE OFFERING."

This Prospectus contains essential information about the issuer and the securities being offered hereby. Persons are advised to read this Prospectus carefully prior to making any decision to purchase these securities.

Grace Brethren Investment Foundation, Inc. (the "Foundation") is a tax-exempt, not-for-profit corporation operating under the laws of the State of Indiana and is associated with the Fellowship of Grace Brethren Churches (the "Fellowship"). Pursuant to this Prospectus, the Foundation is soliciting, on a continuous basis, funds from associates of Grace Brethren Churches ("Investment Accounts"), to be used principally in furtherance of the land purchase and development and the subsequent building and remodeling activities of Grace Brethren churches, schools, and associated organizations. The Investment Accounts are being offered by and sold (through this Prospectus and other prospectuses used by the Foundation in other states from time to time) only to persons associated with the Fellowship. Offers and sales made in reliance upon this Prospectus shall not exceed \$35,000,000; the aggregate amount of Investment Accounts outstanding at any time will differ and will likely be more than \$35,000,000.

THIS OFFERING IS SUBJECT TO CERTAIN RISKS. (SEE RISK FACTORS, PAGES 2 to 4.)

THESE SECURITIES ARE EITHER REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY THE ISSUER. THIS OFFERING IS BEING MADE ONLY IN THOSE STATES IN WHICH THE MAKING OF SUCH OFFERS AND SALES MAY LAWFULLY BE MADE AND DOES NOT CONSTITUTE AN OFFER IN ANY OTHER STATES. THIS PROSPECTUS OR A SIMILAR PROSPECTUS HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION.

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

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE 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 DISCLOSURE, MERITS AND RISKS INVOLVED.

THE INVESTMENT ACCOUNTS ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE INVESTMENT ACCOUNTS IS DEPENDENT UPON THE ISSUER'S FINANCIAL CONDITION. THE INVESTMENT ACCOUNTS ARE NOT OBLIGATIONS OF, NOR GUARANTEED

BY THE FELLOWSHIP OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE FELLOWSHIP.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY GRACE BRETHERN INVESTMENT FOUNDATION, INC.

RESIDENTS OF THE STATE OF PENNSYLVANIA HAVE CERTAIN RIGHTS TO WITHDRAW AN INVESTMENT MADE PURSUANT TO THIS OFFER AND SHOULD REFER TO THE "NOTICE TO PENNSYLVANIA RESIDENTS" ON PAGE IV. PENNSYLVANIA LAW PROVIDES FOR A TWO-DAY RIGHT OF WITHDRAWAL.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF INVESTMENT ACCOUNTS THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

The minimum required to open an Investment Account pursuant to this offering is \$25.00. The periodic value of an Investment Account is the amount that an investor decides to allocate to an Investment Account as a result of this offering or by means of future additions to or withdrawals from the Investment Account, together with accrued interest thereon. See "DESCRIPTION OF INVESTMENT ACCOUNTS" and "DESCRIPTION OF THE OFFERING."

Neither the Foundation nor any third party will be entitled to any underwriting or selling commission on the funds received through this offering. All expenses of this offering, which are not expected to exceed approximately \$100,000, will be paid by the Foundation from its general funds. See "USE OF PROCEEDS."

The date of this Prospectus is: April 1, 2011.

Resident Agent: Larry N. Chamberlain
Sales Agent: Kenneth A. Seyfert

STATE NOTICES

Notice to Alabama Residents:

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 37(h) OF THE ALABAMA SECURITIES ACT AND SECTION 3(a)(4) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION OR WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NEITHER THE ALABAMA SECURITIES COMMISSION 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 PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Notice to Arkansas Residents:

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE ARKANSAS SECURITIES DEPARTMENT.

Notice to California Residents:

THE QUALIFICATION OF THE OFFER AND SALE OF INVESTMENT ACCOUNTS IN CALIFORNIA IS EFFECTIVE THROUGH MARCH 4, 2012. INVESTMENTS IN INVESTMENT ACCOUNTS BY CALIFORNIA RESIDENTS AFTER MARCH 4, 2012, MAY ONLY BE MADE IF THERE IS AN EFFECTIVE QUALIFICATION THEN IN EFFECT. THERE CANNOT BE ANY ASSURANCE THAT THE CALIFORNIA DEPARTMENT OF CORPORATIONS WILL GRANT ANOTHER QUALIFICATION PERMITTING THE FOUNDATION TO OFFER AND SELL INVESTMENT ACCOUNTS IN CALIFORNIA IN THE FUTURE.

Notice to Florida Residents:

THESE SECURITIES ARE OFFERED IN FLORIDA ONLY TO EXISTING HOLDERS OF INVESTMENT ACCOUNTS AND HAVE NOT BEEN REGISTERED WITH THE STATE OF FLORIDA, DEPARTMENT OF BANKING AND FINANCE, DIVISION OF SECURITIES.

Notice to Indiana Residents:

THESE ARE SPECULATIVE SECURITIES.

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Notice to 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.

Notice to Louisiana Residents:

THESE SECURITIES HAVE BEEN OR WILL BE 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.

Notice to Michigan Residents:

ALTHOUGH THE FOUNDATION'S OFFERING OF INVESTMENT ACCOUNTS IS CONTINUOUS UNDER THIS PROSPECTUS AND REPRESENTS A CONTINUATION WITHIN MICHIGAN OF THE OFFERING OF INVESTMENT ACCOUNTS UNDER PRIOR PROSPECTUSES IN RELIANCE UPON THE SAME EXEMPTION UNDER SECTION 451.2201(g) OF THE MICHIGAN UNIFORM SECURITIES ACT, AS AMENDED, THE AMOUNT OF INVESTMENT ACCOUNTS OFFERED AND SOLD IN RELIANCE UPON THIS PROSPECTUS, FROM AND AFTER THE DATE HEREOF, IS LIMITED NATIONALLY TO NOT MORE THAN \$35,000,000. MICHIGAN RESIDENTS ARE ADVISED THAT THIS \$35,000,000 AMOUNT REPRESENTS A NEW OFFERING FOR PURPOSES OF THE MICHIGAN UNIFORM SECURITIES ACT, AS AMENDED, THAT IS SEPARATE AND DISTINCT FROM THE FOUNDATION'S OFFERINGS OF INVESTMENT ACCOUNTS UNDER THE MICHIGAN UNIFORM SECURITIES ACT, AS AMENDED, IN PRIOR PERIODS.

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 451.2201(g) OF THE MICHIGAN UNIFORM SECURITIES ACT AND SECTION 3(a)(4) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE MICHIGAN OFFICE OF FINANCIAL AND INSURANCE SERVICES OR WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NEITHER THE MICHIGAN OFFICE OF FINANCIAL AND INSURANCE SERVICES NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAVE 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 PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

IF THE FOUNDATION DEFAULTS ON MAKING ANY PAYMENT TO YOU WITHIN A REASONABLE TIME AFTER IT IS DUE OR IS PROPERLY REQUESTED, YOU MAY REQUEST FROM THE FOUNDATION A LIST OF OTHER INVESTORS WHO RESIDE IN MICHIGAN AND YOU MAY BE ENTITLED TO INITIATE LEGAL ACTION IN CONCERT WITH THOSE OTHER MICHIGAN INVESTORS.

Notice to Missouri, North Carolina, Tennessee and Wisconsin Residents:

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

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

Notice to Pennsylvania Residents:

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE PENNSYLVANIA SECURITIES COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PURSUANT TO SECTION 207(M)(1) OF THE PENNSYLVANIA SECURITIES ACT OF 1972, YOU MAY ELECT, WITHIN TWO BUSINESS DAYS AFTER THE FIRST TIME YOU HAVE RECEIVED THIS NOTICE AND A PROSPECTUS (WHICH IS NOT MATERIALLY DIFFERENT FROM A FINAL PROSPECTUS) TO WITHDRAW YOUR INVESTMENT AND RECEIVE A FULL REFUND OF THE MONIES PAID BY YOU. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A WRITTEN NOTICE (INCLUDING A NOTICE BY FACSIMILE OR ELECTRONIC MAIL) TO THE ISSUER INDICATING YOUR INTENTION TO WITHDRAW. THIS RIGHT OF WITHDRAWAL PERTAINS ONLY TO PENNSYLVANIA RESIDENTS.

WITHDRAWALS FROM AN INVESTMENT ACCOUNT NOT OCCURRING WITHIN THIS TWO BUSINESS DAY PERIOD MAY BE REQUESTED AT ANY OTHER TIME, BUT THE FOUNDATION RESERVES THE RIGHT TO REQUIRE 30 DAYS ADVANCE WRITTEN NOTICE.

A REGISTRATION STATEMENT WITH RESPECT TO THE SECURITIES OFFERED BY THIS PROSPECTUS HAS BEEN FILED IN THE OFFICES OF THE PENNSYLVANIA SECURITIES COMMISSION AT 1010 NORTH 7TH STREET, SECOND FLOOR, HARRISBURG, PENNSYLVANIA 17102. THE TELEPHONE NUMBER FOR THE COMMISSION IS 717-787-8061. THE REGISTRATION STATEMENT INCLUDES CERTAIN EXHIBITS ONLY SUMMARIZED OR ALLUDED TO IN THIS PROSPECTUS. THESE DOCUMENTS ARE AVAILABLE FOR INSPECTION AT THE OFFICES OF THE COMMISSION DURING REGULAR BUSINESS HOURS (MONDAY THROUGH FRIDAY, 8:00 A.M. TO 4:30 P.M.).

IT IS THE POSITION OF THE PENNSYLVANIA SECURITIES COMMISSION THAT INDEMNIFICATION IN CONNECTION WITH VIOLATIONS OF THE SECURITIES LAWS IS AGAINST PUBLIC POLICY AND VOID.

Notice to Washington Residents:

ANY PROSPECTIVE PURCHASER IS ENTITLED TO REVIEW FINANCIAL STATEMENTS OF THE ISSUER WHICH SHALL BE FURNISHED UPON REQUEST. RECEIPT OF NOTICE OF EXEMPTION BY THE WASHINGTON ADMINISTRATOR OF SECURITIES DOES NOT SIGNIFY THAT THE ADMINISTRATOR HAS APPROVED OR RECOMMENDED THESE SECURITIES, NOR HAS THE ADMINISTRATOR PASSED UPON THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE RETURN OF THE FUNDS OF THE PURCHASER IS DEPENDENT UPON THE FINANCIAL CONDITION OF THE ORGANIZATION.

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SUMMARY INFORMATION

The Foundation. The Foundation is a tax-exempt, not-for-profit corporation organized in 1955 for the principal purpose of enabling individuals who support the objectives of the Fellowship to invest funds at a reasonable rate of interest and to provide thereby a source of funding for acquiring, developing, and remodeling, land and buildings for churches, schools, and other associated organizations. The principal office of the Foundation is located in Winona Lake, Indiana. For more information, see "ORGANIZATION AND PURPOSE," at page 4.

Use of Proceeds. The offering described in this Prospectus is being made solely by the Foundation, which will retain 100% of the proceeds. The Foundation estimates that the annual expenses associated with the offering will be \$100,000. Funds received from the offering of Investment Accounts will be added to the Foundation's general funds, invested, and then used to make loans, on an as needed basis, to churches, schools, and similar organizations affiliated with the Fellowship, or to pay interest on or withdrawals from Investment Accounts. For more information, see "USE OF PROCEEDS" at page 6.

Management. The Executive Officers of the Foundation are: Dr. Larry N. Chamberlain, President since 1999, Chief Executive Officer since 1989, Assistant Executive Director, 1986 to 1989 and an employee since 1977; Mr. Kenneth A. Seyfert, Vice President, Treasurer, and Executive Director of Operations since August 2004, Treasurer and Managing Director from June 1997 to August 2004, formerly an Investment Executive with Fahnestock & Co., Inc.; and Mrs. Brenda S. Byers, Secretary and Director of Finance, an employee of the Foundation since 1986. Total compensation for the Executive Officers for the year ending December 31, 2010 was \$386,467. The Directors of the Foundation are: Mr. Theodore Adomanis, Dr. James Augspurger, Mr. Joshua Balmer, Mr. David Coleman, Mr. Ralph Hampton, Mr. George Hutchison, Rev. Robert MacMillan, Dr. Howard Mayes, Mr. Jerry Michael, Dr. Dayne Nix, Rev. James Poyner, Mr. Kent Semple, Rev. Philip Sparling, and Mr. Richard Stair. For more information, see "OPERATIONS" at pages 14-19.

Description of Investment Accounts. An Investment Account is a means by which a person may invest any sum equal to or greater than \$25.00 in the Foundation. The Investment Accounts have no stated maturity date, earn interest at a rate fixed from time to time by the Foundation (which was 2.50% at the date of this Prospectus) compounded daily, and upon request principal and accrued but unpaid interest may be paid to an Investment Account holder at any time. The Foundation reserves the right to require 30 days advance written notice of any withdrawal and to change the rate at which interest is accrued at any time without prior notice to or the approval or consent of investors. Investors will be notified no later than ten days in advance of any rate change by written correspondence addressed to the most recent address provided by the investor, and may call the Foundation at any time (888-340-4243) to determine the currently applicable rate of interest being accrued on the Investment Accounts. The Investment Accounts being offered by and sold through this Prospectus will be treated as separate Investment Accounts from those preexisting Investment Accounts which the Foundation formerly offered to Grace Brethren North American Missions, Inc. ("GBNAM"), as Trustee for certain Intervivos and Retirement Trust Accounts. For more information, see "DESCRIPTION OF INVESTMENT ACCOUNTS" and "DESCRIPTION OF THE OFFERING" at pages 11 and 12-13, respectively.

Summary Statement of Changes in Net Assets. The following table presents selected summary revenue and expense information for the 12 months ending December 31, 2010. Additional information is available under the heading "SUMMARY OF SELECTED FINANCIAL DATA" at pages 10-11.

Revenue	\$4,131,378
Operating Expense	3,213,061
Total Other Revenue and (Expenses)	(568,316)
Change in Net Assets	350,001

RISK FACTORS

THE INVESTMENT ACCOUNTS OFFERED BY THE FOUNDATION INVOLVE CERTAIN ELEMENTS OF RISK. YOU AS AN INVESTOR SHOULD CAREFULLY CONSIDER THE INFORMATION CONTAINED IN THIS PROSPECTUS, INCLUDING THE FOLLOWING RISK FACTORS, BEFORE DECIDING WHETHER TO INVEST IN AN INVESTMENT ACCOUNT. IN THE EVENT OF A DEFAULT IN THE PAYMENT OF INTEREST ON OR THE PAYMENT OF A WITHDRAWAL FROM AN INVESTMENT ACCOUNT, YOU WILL HAVE RIGHTS THAT VARY FROM STATE TO STATE AND WHICH ARE DESCRIBED GENERALLY BELOW.

1. The Foundation does not offer any collateral or insurance to back up its obligation to repay its Investment Accounts. The Investment Accounts are **unsecured** obligations of the Foundation. The Investment Accounts are not obligations of any other organization affiliated with the Fellowship. Account holders are dependent solely upon the general financial condition of the Foundation for repayment of the principal invested in the Investment Account as well as interest payments on those amounts. The Foundation may require up to 30 days advance written notice of withdrawals. A significant portion of the Foundation's assets includes long-term mortgages that are not easily liquidated. Also, although the Foundation has not granted any security interests and there are no other material liens on its assets, the Foundation's assets could be subject to liens from time to time. See "LIQUIDITY." There is no trust indenture governing the rights and obligations of the investors and the Foundation, and no independent trustee to act on behalf of the investors. Further, the Foundation has not established any sinking fund in connection with the Foundation's offering of Investment Accounts. **The Investment Accounts are not insured.**

2. The Foundation, as a not-for-profit organization, has loan policies that are less stringent than a commercial lender might have. Unlike commercial lenders, the Foundation's loans are made only to not-for-profit congregations, schools, and other organizations associated with the Fellowship that would qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Repayment of these loans is therefore based in part on the level of charitable contributions given to such borrowers, which may change, leaving the borrowers unable to repay the loans. Further, the Foundation is motivated by other than strictly commercial or profit motives and this may affect how it deals with its borrowers. In addition, while most of the Foundation's loans are secured by a first mortgage position on the land and facility that are the subject of the loan, the market value of these assets in a foreclosure could be less than the amount owed, exposing the Foundation to risk of loss. See "LENDING ACTIVITIES" for discussion of problems that "single purpose" facilities like churches present when sold in foreclosures, and factors that could result in borrowers experiencing difficulty in repaying their loans to the Foundation.

3. The Foundation makes business and loan decisions that are not solely based on profitability due to its religious purposes. The purposes of the Foundation are religious--to promote the growth and development of Grace Brethren churches, schools, and associated organizations--and therefore the Foundation may not make decisions based solely upon profitability considerations. Investors should take the purposes of the Foundation into account when making an investment decision.

4. Interest rates on Investment Accounts from time to time may differ from those offered by commercial entities. Interest rates may vary in the future. Investors should be aware that if commercial interest rates rise, the Foundation is not legally or otherwise obligated to pay competitive rates of interest and that the interest rate offered by the Foundation may rise or fall independently from commercial interest rates.

5. The Foundation's ability to increase the interest rates it charges on loans is typically limited, which could lead to liquidity and earnings problems in a rising interest-rate environment. The Foundation's results of operations and liquidity could be adversely affected by sustained and substantial increases or decreases in prevailing interest rates. Due to the fixed-rate nature of the Foundation's long-term loan portfolio, the Foundation may not be able to increase its rate of interest paid on Investment Accounts to the same extent as increases in market rates of interest, which in turn could result in liquidity problems for the Foundation should large dollar amounts of Investment Accounts be withdrawn in search of better interest rates elsewhere. Although the Foundation does not maintain liquid reserves sufficient to fund the hypothetical need for cash that would result from any assumed withdrawal of all its Investment Accounts at any one time (see "LIQUIDITY"), a majority of the Foundation's assets as of the date of the Prospectus are maintained in its investments and cash and cash equivalents, not in its loan portfolio, and management expects its liquidity to be sufficient to satisfy the Foundation's obligations to holders of Investment Accounts for the foreseeable future (see Notes 2, 3, and 7 to the Financial Statements).

6. Regulatory changes could affect the ability of the Foundation to continue to sell new Investment Accounts, which could affect its ability to meet its obligations under existing Investment Accounts. Changes in federal and state laws, rules, or regulations regarding the sale of debt obligations of religious, charitable, or other not-for-profit organizations may make it more difficult and costly for the Foundation to offer its Investment Accounts in some states in the future. Such a change could result in a decrease in the number of Investment Accounts that the Foundation may offer. To the extent the Foundation depends upon the proceeds of future sales of its Investment Accounts to make payments of principal or interest on outstanding Investment Accounts, a substantial decrease in such sales could affect the Foundation's ability to meet its obligations.

7. The Foundation could be sued. The Foundation is not currently involved in any litigation. However, there can be no assurance that the Foundation will not become involved in litigation which could have a material adverse effect on its operations or financial condition.

8. Investment Accounts cannot be transferred. The Investment Accounts are not transferable without the consent of the Foundation, either during the Investment Account holder's lifetime or at death. The Foundation will, however, transfer funds upon the death of the investor(s) in accordance with the terms of the account agreement. In addition, conditions on transfer of the Investment Accounts may be imposed under the securities laws of certain states. There is no secondary market for the Investment Accounts and none will develop. The only method of recovering funds invested in the Investment Accounts is by withdrawal.

9. Investment Account holders' rights in the event of a default by the Foundation may vary and they could lose money in the event of default. Should the Foundation default in its payment when due of interest on your Investment Account or fail to honor any proper request to withdraw funds from your Investment Account you will have rights that may vary from state to state depending upon where you live. The Foundation's default may, for example, be deemed a breach of contract and may entitle you to commence a proceeding in a state or federal court to recover the amount held in your Investment Account. If you do not act upon any rights you might have in a timely fashion, you may lose your rights entirely under various statutes of limitation applicable to the claims you might have. If the Foundation becomes insolvent your rights may be subject to the laws of bankruptcy and creditors' rights generally, and as an unsecured, uninsured investor, the amount you receive may not be the full amount invested in your Investment Account. You should consult with an attorney if you have any questions about what your rights might be.

10. Claims could be made against the Foundation by creditors of organizations affiliated with the Fellowship. The Foundation is a separate legal entity from the Fellowship and its affiliates and therefore believes that it is not liable for any claims made against the Fellowship and its affiliates although it is possible that claims may be made against the Foundation in relation to matters associated with the Fellowship or its affiliates.

11. Investment Account holders must pay taxes on their interest. The interest paid or payable on the Investment Accounts will be taxable as ordinary income to the account holders in the year it is paid or accrued, regardless of whether the accrued interest is withdrawn by the Investment Account holder. For further information concerning federal income tax matters, including special rules that may be applicable to account holders who invest more than \$250,000 in the aggregate with the Foundation, see "TAX ASPECTS."

12. The Foundation could return the investment of any Investment Account holder without that holder's consent. The Foundation reserves the right to refuse any investment, limit the amount which may be invested, return all or any part of any investment, or close any account whenever it may choose, without written or other notice to the investor. Interest will be paid to the date of redemption on all accounts closed by the Foundation.

13. The Foundation has a substantial dollar amount of its loans with a few borrowers. While loans to a single borrower are typically limited to \$2,000,000, as of December 31, 2010, the Foundation had eight loans in excess of \$2,000,000 totaling \$27,709,571 in the aggregate (see "LENDING ACTIVITIES") or 60% of the Foundation's loans outstanding on that date. Therefore, financial difficulties experienced by any of these eight borrowers would have a significantly greater impact on the Foundation than would financial difficulties experienced by any of the larger number of borrowers with smaller loan balances.

14. If and to the extent that the Foundation's liquid assets are invested in readily marketable securities, those securities would be subject to various market risks which could result in losses if market values of such investments were to decline. The Foundation's investments, as of December 31, 2010, were all certificates of deposit and money market funds, none of which are subject to any material risk of change in market value. If, in the future, the Foundation should invest its liquid assets in other marketable securities, its ability to pay Investment Accounts could be impacted by changes in market values.

15. Risks of investment in the Investment Accounts may be greater than implied by the relatively low interest rates (compared to comparable investments that are not federally insured) offered on the Investment Accounts. The Foundation regularly reviews national indexes of bank-insured products with a view to offering an annual interest rate percentage on the Investment Accounts that is greater than prevailing rates for federally-insured bank deposits. However, Investment Accounts may carry more risk than other non-insured investments with comparable interest rates.

16. If the economy of any geographic area where the Foundation makes loans suffers, the Foundation's ability to collect their loans made in that area may be adversely affected. Approximately 94% of the Foundation's loan balances as of December 31, 2010, were owed to them by churches or other organizations located in only four states, California (6%), Maryland (6%), Ohio (72%), and Pennsylvania (10%) (see Note 4 to the Financial Statements). If the economic conditions of these states were to suffer an adverse change, then the churches and other organizations in these states might also suffer economically, and their ability to repay their loans to the Foundation could to that extent be adversely affected.

17. The Foundation could be harmed by the economic downturn. The current economic environment could harm the Foundation in that as a result, the Foundation could see a decrease in member contributions. Further, the Foundation could see borrowers being unable to repay loans.

ORGANIZATION AND PURPOSE

The Foundation is associated with the Fellowship, which was founded in 1939 as a non-profit national association of churches that subscribe to a particular statement of religious faith. The Fellowship was formally organized under the Indiana Not-for-Profit Corporation Act of 1971, as amended, in 1986. As of December 31, 2009 the Fellowship was comprised of 255 churches located throughout the United States and Canada, which had an aggregate of approximately 25,681 members. As of December 31, 2008 and 2007, the Fellowship was comprised of 260 and 263 churches respectively and approximately 27,676 and 27,856 members respectively. Each church is an autonomous institution, separately incorporated as a not-for-profit organization under the law of the state in which it is located, and congregationally governed.

The Foundation was organized in 1955 as an Indiana not-for-profit corporation for the purpose of assisting Grace Brethren churches, schools, and associated organizations that had experienced difficulties in securing loans from commercial financial institutions to build facilities. Accordingly, the intent was and remains that funds invested in the Foundation would be used to make long-term mortgage loans to Grace Brethren churches, schools, and associated organizations. The interest earned on the mortgage loans is intended to be sufficient to pay the interest expense of the Foundation, as well as its costs of operation. The Foundation provides, as a sponsored ministry of the Foundation, logistical support of the Fellowship's Chaplaincy Ministry. The Foundation sponsors logistical support for the Fellowship's Retirement Investment Plan.

The Foundation's Articles of Incorporation provide, in pertinent part, the following statement of purpose:

The purpose of the Foundation is to enable individuals who support the objectives of the Fellowship to invest funds at a reasonable rate of interest and to provide thereby a source of funding, in the form of capital loans, for acquiring, developing, and remodeling, land and buildings for churches, schools, and other associated organizations and, in connection with and ancillary to such purpose:

1. To assist in the extension of Christian work by and through the agencies of the Fellowship and the affiliated agencies of the Foundation, and to contribute and loan funds to Grace Brethren churches, conventions or associations of churches, Grace Brethren schools, and affiliated organizations.

2. To provide funds for Biblical teaching, to assist evangelical work, to assist churches of Grace Brethren faith and Grace Brethren missionary endeavor, and to assist and encourage men and women in the dedication of their lives to definite Christian services.

3. To receive, hold, borrow, invest, loan, and disburse funds; to own, mortgage, lease, rent, and sell real and personal property of all kinds in order to attain the aforesaid purposes.

4. To promote the Christian faith through the Fellowship and to promote the missionary institutions of the Fellowship, with primary consideration given to the cause of establishing new churches in North America.

The membership of the Foundation is comprised of those persons who contribute \$25.00 or more during the fiscal year to support the ministries of the Foundation and who are affiliated with a local church associated with the Fellowship. It is these members, and not the holders of Investment Accounts, who are entitled to vote on matters related to the Foundation.

In the event of any dissolution of the Foundation, the Foundation's assets would be first applied to the payment of its debts and the satisfaction of its other obligations, including its indebtedness and other obligations to the holders of the Investment Accounts. Any remaining assets would then be distributed exclusively for the stated purposes of the Foundation in such manner, or to such organization or organizations organized and operated exclusively for charitable, educational or religious purposes that is affiliated with the Fellowship (see, for example, those organizations listed under "National Boards Associated with Fellowship" below) and at that time also qualifies as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or corresponding provisions of any subsequent Federal tax laws, as the Board of Directors shall determine.

NATIONAL BOARDS ASSOCIATED WITH FELLOWSHIP

The Foundation is one of six major national boards associated with the Fellowship, each of which is separately incorporated, which has been formed to accomplish specific purposes of the Fellowship. These national boards and their activities include:

1. The Foreign Missionary Society of the Grace Brethren Church, Inc. (DBA Grace Brethren International Missions), the international missionary arm of the Fellowship, which coordinates the activities of Grace Brethren missionaries throughout the world;
2. Grace Schools, Inc. (college and theological seminary), which offers undergraduate and graduate programs and training for the ministry;
3. Brethren Missionary Herald Company, Inc., which provides educational services to the Fellowship;
4. CE National, Inc., which offers assistance to Grace Brethren churches to support Christian education and youth ministry activities;
5. Go2 Church Planting Ministries, Inc., which develops new churches in North America; and
6. Grace Brethren Investment Foundation, Inc., described more fully in this Prospectus.

Periodic contributions are made from the Foundation to Fellowship national boards and other affiliated ministries to assist the financing of various Fellowship and church-related activities. These contributions are made from revenue generated by the Foundation's investment activities not required to pay administrative costs or interest payments to Investment Account holders. Contributions to Fellowship ministries are made by board action according to a board approved policy. See "**OPERATIONS, Contributions.**"

USE OF PROCEEDS

The maximum proceeds anticipated for the offering described in this Prospectus is \$35,000,000. This offering is being made solely by the Foundation, which will retain 100% of the proceeds. Funds received from the offering of Investment Accounts will be used in making loans to its affiliated churches and organizations, to be invested in readily marketable securities while the Foundation is waiting to make loans to its affiliated churches and organizations, to pay interest on Investment Accounts, to pay withdrawals from Investment Accounts, and as working capital to support the operations of the Foundation (including its expenses incurred in the offer and sale of Investment Accounts), all as further described below. The Foundation estimates that the annual expenses associated with the offering will be \$100,000.

Neither the Foundation nor any third party will be entitled to any underwriting or selling commission on the funds received through this offering. The offering described in this Prospectus will be made solely by the Foundation, through its officers and employees, and the Foundation will retain 100% of the proceeds. All expenses of this offering, including printing, mailing, attorneys' fees, accountants' fees, and securities registration fees, will be paid by the Foundation from its general funds. Funds received from the offering of the Investment Accounts will be added to the Foundation's general funds, and will be invested in certain cash and cash equivalents and marketable securities pending their use in the Foundation's lending activities, or as working capital to support the operations of the Foundation (including its expenses incurred in the offer and sale of Investment Accounts) or held as reserves to meet its payment obligations for payment of interest on or withdrawals of Investment Accounts. The Foundation estimates that expenses associated with the offering (advertising, mailing, promoting, legal and accounting services, and state filing fees) will be approximately \$100,000 per year, or less than 1% of the total offering if \$35,000,000 is acquired through the offer of Investment Accounts. It is anticipated that interest earned on the proceeds from loans and reserve investments will be sufficient, as in the past, to cover all expenses associated with the offering of the Foundation.

Loans are made only to churches, schools, and organizations associated with the Fellowship, principally to finance capital improvement projects, including the acquisition and development of land for the construction of new facilities and the remodeling of existing facilities. In the normal course of its operations, the Foundation periodically makes loan commitments based on the availability of funds and will have varying numbers of outstanding loans in process, for which advances may or may not have been made. Although proceeds of this offering may be used to fund some portion of loans in process and loan commitments, these commitments have not been made in contemplation of this offering and will be funded regardless of the results of this offering.

The proceeds of this offering may be used along with existing general funds, the revenue from investments, proceeds from repayments of loans, and the sale or maturity of portfolio investments, to meet withdrawals from the Investment Accounts or interest payments.

LIQUIDITY

The repayment of funds invested and the payment of interest earned thereon depends on the financial condition of the Foundation and the availability of funds. The primary sources of funds historically have included funds invested in Investment Accounts, payments of interest and repayments of principal on outstanding loans, and proceeds derived from sales or maturities of other investments. As of December 31, 2010, the Foundation had a fund balance of \$7,717,710 and a Reserve for Loans Receivables of \$459,586. The Reserve for Loans Receivable is a contingency fund for loan losses. The Foundation intends to maintain this Reserve at a minimum of 1% of outstanding loans. The Foundation attempts to structure its investments so as to provide liquidity through frequent maturities. The Foundation has never failed to meet principal requirements on its outstanding Investment Accounts; however, the Foundation has no sources of capital other than those described herein.

The Foundation's financial condition, results of operations, and liquidity could be adversely affected by sustained and substantial increases or decreases in prevailing interest rates. In a rapidly rising interest rate environment, the Foundation's income on loans and investments may not increase at the same rate as its interest expense on Investment Accounts, which would adversely affect the Foundation's net income. Substantially all of the Foundation's outstanding loans are made on a long-term basis and bear interest at a rate that is typically fixed at the time of origination of the loans. The interest rates and terms of loans vary. Loan terms are typically 20 to 30 years with the initial interest rate fixed for the first 1 to 10 years of the loan. After the expiration of the initial fixed period, the interest rate on the Foundation's long-term loans typically cannot be adjusted to reflect a higher rate without the consent of the borrowers, which the borrowers might not be willing to give to the Foundation.

If market interest rates should in the future rise to sustained levels that are substantially in excess of rates that currently prevail, the Foundation's ability to raise the rate of interest it pays on Investment Accounts may be limited by its inability to earn increased interest on its long-term loan portfolio. This limitation on the ability of the Foundation to respond to increased market rates of interest could result in liquidity problems for the Foundation should large dollar amounts of Investment Accounts be withdrawn in search of better interest rates elsewhere. Although the Foundation does not maintain liquid reserves sufficient to fund the hypothetical need for cash that would result from any assumed withdrawal of all its Investment Accounts at any one time, a majority of the Foundation's assets as of the date of the Prospectus are maintained in its investments and cash and cash equivalents, not in its loan portfolio, and management expects its liquidity to be sufficient to satisfy the Foundation's obligations to holders of Investment Accounts for the foreseeable future (see Notes 2, 3, and 7 to the Financial Statements).

The Foundation's policy is to maintain in readily available form consisting of cash, government securities, and certificates of deposit, an amount more than that anticipated to be sufficient to meet its expected needs for liquidity in connection with its liability for the Investment Accounts. As of December 31, 2010, approximately 48% of the Foundation's assets were in the form of: cash and cash equivalents (30%) and certificates of deposit (18%).

The following table demonstrates the ratio, during each of the three years ended December 31, 2010, 2009, and 2008, between the amount of the Foundation's available cash and cash equivalents, and the cash amount required for the Foundation to fund redemptions of its Investment Accounts.

Cash Flow Data	2010	2009	2008
Cash and cash equivalents, beginning of fiscal year	\$15,612,763	\$7,062,561	\$4,305,619
Investments at fair value, beginning of fiscal year	25,484,000	25,459,000	23,568,000
Net cash provided by operating activities	493,706	455,740	455,065
Loan principal payments less loan disbursements	(3,248,844)	(1,041,667)	(2,343,020)
Cash from sales of Investment Accounts	<u>20,962,027</u>	<u>22,980,766</u>	<u>23,609,316</u>
Total Cash and Cash Equivalents	<u>\$59,303,652</u>	<u>\$54,916,400</u>	<u>\$49,594,980</u>
Redemption of Investment Accounts	\$18,944,352	\$16,100,817	\$19,334,712
Ratio (x: 1)	3.1: 1	3.4: 1	2.6: 1

The Foundation has a policy that it will not create, incur, or voluntarily permit any material lien upon any of its assets or otherwise incur material indebtedness having a prior claim to its assets or otherwise senior to the Investment Accounts except for (i) liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or which remain payable without penalty or the validity of which are contested in good faith; or (ii) liens made to secure statutory obligations, surety, or appeal bonds or bonds for the release of attachments or for stay of execution; or (iii) purchase money security interests for property hereafter acquired, or (iv) judgment liens. For purposes of the policy, the term "material" means an amount which equals or exceeds 10% of the total tangible assets of the Foundation.

LENDING ACTIVITIES

General Conditions

The Foundation makes loans only to not-for-profit organizations that would qualify under Section 501(c)(3) of the Internal Revenue Code as tax-exempt organizations. These consist of churches, schools, and other organizations associated with the Grace Brethren Fellowship. The purpose of substantially all of these loans is to enable churches, schools, and other organizations associated with the Fellowship to acquire and develop land, build facilities, or remodel and expand existing facilities, with reasonable financing costs. Typically, the Foundation will not consider a loan for the purpose of constructing

a new building until the congregation or other organization holds title to the property on which it is to be erected. Currently 93.69% of loans are secured by a first mortgage on the existing facility or real property, and the remaining 6.31% are secured by second mortgage loans wherein the Foundation is also the primary lender in the first lien position. The Foundation will consider second mortgage loans only when the Foundation is also the primary lender in the first lien position. Currently, the interest rate charged ranges from 5.5% to 9.25% based on term, loan to value ratio, and credit factors.

Historically, if GBNAM, a now-inactive corporation formerly associated with the Fellowship, was supporting the church, school, or other associated organization, GBNAM co-signed the loan and held title to the property in trust. In such cases, the Foundation treated GBNAM as the primary borrower, although the church, school, or other associated organization co-signed the loan, and GBNAM held a separate contract with the church, school or other borrower that provided that the property was held in trust and specified the conditions of that trust. These trust arrangements in some cases lasted indefinitely and in other cases terminated at the request of the primary borrower five years after it became self-supporting. As of December 31, 2010, GBNAM had one obligation pursuant to loans made by the Foundation in the amount of \$125,351. As a part of the winding down of the affairs of GBNAM, mortgage agreements and titles to the properties affected by trust arrangements are being transferred from GBNAM to the church or organization, thereby terminating the trust and creating a direct lender-borrower relationship between the Foundation and the church or organization.

As of December 31, 2010, 19 debtors had total obligations pursuant to loans made by the Foundation exceeding \$500,000, such obligations totaling in the aggregate approximately \$39 million. While there is no limit on the amount that could be loaned to a church, school, or other associated organization, such loans usually are limited to less than \$2,000,000. As of December 31, 2010, eight debtors had total obligations pursuant to loans made by the Foundation exceeding \$2,000,000, such obligations having balances of \$2,414,637, \$2,504,466, \$2,700,046, \$2,749,574, \$3,360,280, \$3,904,052, \$4,848,692, and \$5,227,824. It is the Foundation's policy that, in all but unusual circumstances, that collateral securing a loan should have a market value in excess of the amount of the loan. However, many of these properties may be viewed as "single purpose" facilities and may not be readily adaptable to other uses without extensive remodeling. Due to the limited market for "single purpose" properties, there can be no assurance that the collateral for any of the Foundation's loans could be sold, in the event of a foreclosure, for net sale proceeds equal to the amounts then due the Foundation under the related loan.

In most instances, the ability of the congregations, schools, and other organizations to repay loans will depend primarily upon contributions they receive from their constituents and fees or other charges imposed for services rendered. Both the number of constituents of a church, school, or other organization and the amount of revenue or contributions it receives, may fluctuate. The Foundation is motivated by other than strictly commercial or profit motives and this may affect how it deals with its borrowers. If a debtor is unable to meet its obligation currently, the Foundation attempts to work with the debtor to assure ultimately that the debt is paid. It is the stated purpose of the Foundation to aid its borrowers to meet their obligations and to avoid the loss of properties through foreclosure. Therefore, the delinquency experience of the Foundation cannot be directly compared with that of commercial lenders.

Loan Applications

The Executive Director of Operations is empowered to approve loans up to and including \$500,000 total indebtedness. Loans in excess of \$500,000 total indebtedness must be approved by the Foundation's Board of Directors. The loan documentation required prior to approval includes a completed application with supporting documentation, firm bids on construction projects, and copies of the proposed plans and cost estimates, which the Executive Director of Operations reviews. Loans exceeding \$500,000 total indebtedness are then presented for screening to the Loan Committee, which consists of the members of the Executive Staff. The Loan Committee may authorize the Executive Director of Operations to present the request to the Board of Directors for final approval.

Borrowers do not pay "points" for closing a loan as they might when dealing with commercial lending institutions. Other actual loan preparation costs such as preparation and filing of the mortgage instrument, title insurance, and escrow fees are assessed against the borrower. In addition, the Foundation requires normal lender protections such as title insurance or an opinion of counsel as to the validity of title and an adequate property insurance policy naming the Foundation in the loss payable clause.

Reports

The Foundation receives annual reports from its debtors, which reports are subjected to internal review. The Foundation staff monitor delinquencies monthly and report on delinquencies semi-annually to the Board of Directors. If a debtor is unable to meet its obligations, the Foundation and the debtor attempt to agree on arrangements that will assure that the debt is paid. To date, no church, school, or other associated organization has defaulted to the extent that foreclosure was necessary.

The above loan policies are determined by the Foundation's Board of Directors and are subject to revision. Thus, no assurance may be given that the foregoing loan policies, amounts of loan funds available, and interest rates offered will not change periodically.

Loans Outstanding

At December 31, 2010, the Foundation had 62 loans outstanding in the aggregate principal amount of \$45,958,615. On December 31, 2010, 2009, and 2008, the contractual principal payments receivable for their respective fiscal years were as follows:

<u>Contractual Maturities</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
2009	N/A	N/A	\$ 844,448
2010	N/A	\$ 865,349	877,304
2011	\$ 996,067	910,068	916,497
2012	1,044,572	952,520	948,484
2013	1,102,239	999,647	960,455
2014	1,163,537	1,054,517	N/A
2015	1,223,983	N/A	N/A
Thereafter	<u>40,428,217</u>	<u>37,927,670</u>	<u>37,120,916</u>
TOTAL	<u>\$45,958,615</u>	<u>\$42,709,771</u>	<u>\$41,668,104</u>

This tabulation should not be regarded as a forecast of future cash collections. These figures are based on contractual loan maturities. During the fiscal year ended December 31, 2010, principal payments on loans averaged \$905,374 per month.

Loan Delinquencies

On December 31, 2010, 2009, and 2008, the Foundation had no loans on which the regular monthly payment was more than 90 days past due, and no loans on which the regular monthly payment was 90 or fewer days past due. Accordingly, the percentage of delinquent loans to total loans outstanding as of December 31, 2010, 2009, and 2008, was 0%.

In addition to monitoring delinquencies monthly, when a loan becomes delinquent the Foundation contacts the debtor to determine the reason for the delinquency and the time when the Foundation may expect payment. The Foundation maintains contact with the debtor until the delinquency is resolved. If a debtor is unable to meet its obligations currently, the Foundation attempts to work with the debtor to assure ultimately that the debt is paid. It is the stated purpose of the

Foundation to aid its borrowers to meet their obligations and to avoid the loss of properties through foreclosure. Therefore, the delinquency experience of the Foundation cannot be directly compared with that of commercial lenders.

Loan Loss Reserves

The Foundation's policy is to maintain a minimum reserve of 1 percent of the total loan balance for possible uncollectible loan accounts. As of December 31, 2010, the loan loss reserve was \$459,586.

INVESTMENTS

The Foundation concentrates its investments in short-term government securities backed by the full faith and credit of the United States (directly or through a government agency), in certificates of deposits offered by local banks or by other financial institutions, in similar bank-offered investments backed by government or federally insured securities, and in high-quality investment grade commercial paper. It designs its investment plan with the intention of holding each investment until its maturity, with the concurrent intention of maintaining those short-term investments necessary to meet all of its cash needs. One hundred percent of the certificates of deposit are fully insured and comprise the majority of the reserve investment portfolio. The Foundation also invests in certain money market funds which are invested exclusively in United States government securities or government agencies, from which it may readily withdraw sums on deposit. The Foundation does not invest the funds it receives in equity securities. Selected securities dealers are used as safekeeping agents. The Foundation reviews the ratings, capital positions, and safekeeping insurances for each selected securities dealer prior to its being entrusted with safekeeping.

SUMMARY OF INVESTMENTS

The following table shows outstanding investments categorized according to the type of investments held at the end of fiscal year December 31, 2010. The amount invested in each category is stated in both monetary terms and as a percentage of the Foundation's total investments.

<u>Category of Investment</u>	<u>Amount Invested</u>	<u>Percentage</u>
Certificates of Deposit	\$15,985,000	100%
Totals	\$15,985,000	100%

The certificates of deposit have maturity dates ranging from 1 to 5 years and interest rates ranging from 1.47 to 2.77 percent.

Certificates of deposit redeemed prior to maturity date could be subject to forfeiture of interest. For years ending December 31, 2010, 2009, and 2008, management did not experience any loss of interest income due to early redemption of certificates of deposit.

SUMMARY OF SELECTED FINANCIAL DATA

The following tables show selected summary revenue and expense data relating to the operations of the Foundation for the past five years ending on December 31 of each year indicated.

<u>Statement of Activity Data</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenue	\$4,131,378	\$4,322,813	\$4,211,296	\$4,214,634	\$4,463,654
Operating Expense	3,213,061	3,397,855	3,373,418	3,494,597	3,505,399
Net Revenue from Operations	918,317	924,958	837,878	720,037	958,255
Total Other Revenue and (Expenses)	(568,316)	(572,259)	(522,694)	(502,022)	(611,855)
Change in Net Assets	350,001	352,699	315,184	218,015	346,400

Statement of Position Data	2010	2009	2008	2007	2006
Cash and Cash Equivalents	\$ 26,458,842	\$ 15,612,763	\$ 7,062,561	\$ 4,305,619	\$11,140,355
Loans Receivable – net	45,499,029	42,282,673	41,251,422	38,929,730	33,503,485
Loan Delinquencies*	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Accounts	80,630,259	76,508,323	67,285,737	60,663,719	65,275,191
Total Assets	88,941,262	84,429,608	74,811,508	67,807,065	72,347,207
Net Assets – unrestricted	7,717,710	7,367,709	7,015,010	6,699,826	6,481,811

*Percentages derived using outstanding delinquent loan balances and loans receivable-net.

Investment Account Data	2010	2009	2008	2007	2006
Investment Accounts outstanding at beginning of year	\$76,508,323	\$67,285,737	\$60,663,719	\$65,275,191	\$77,540,988
Sales of Investment Accounts during year	20,962,027	22,980,766	23,609,316	12,329,997	16,462,642
Interest paid on Investment Accounts	2,104,261	2,342,637	2,347,414	2,488,455	2,588,873
Redemption of Investment Accounts during year	18,944,352	16,100,817	19,334,712	19,429,924	31,317,312
Investment Accounts outstanding at end of year	80,630,259	76,508,323	67,285,737	60,663,719	65,275,191

DESCRIPTION OF INVESTMENT ACCOUNTS

An Investment Account is a means by which a person may invest any sum of money in cash or check equal to or greater than \$25.00 in the Foundation. The value of an Investment Account at any point in time is that amount that the person had invested in his or her Investment Account previously, less any withdrawals, plus accrued but unpaid interest on the periodic balance of funds in the Investment Account. Investments or withdrawals generally are made by mailing to the Foundation a check in the amount of the investment or a request for a withdrawal. The Foundation processes the transaction, usually on the day it is received, and returns a receipt of the transaction to the Investment Account holder with, if applicable, a check representing the amount withdrawn. The Foundation provides all investors with quarterly statements that reflect account activity (investments, withdrawals, interest, fees) since the prior reporting period.

The Foundation determines the interest rate to be paid on Investment Accounts based on a combination of factors including current market rates and the current rate of interest being earned on the Foundation's loans receivable and other investment vehicles. The Foundation reserves the right to change the rate at which interest is earned at any time without prior notice to or the approval or consent of investors; however, investors will be given written notice of any changes no later than ten days prior to their effective date. Investors may determine the current rate of interest at any given time by calling the Foundation at 888-340-4243 during normal business hours (8:00 a.m.– 4:30 p.m. local time Monday-Friday). Interest is compounded daily on investments from the date of investment to the date of withdrawal at such rate as approved by the Board of Directors. As of the date of this Prospectus, interest on Investment Accounts is being paid at the rate of 2.50% annually, compounded daily. The Board of Directors of the Foundation has authorized the Executive Director of Operations of the Foundation, to increase or decrease the interest rate paid on Investment Accounts by .25%. Any change greater than .25% must be approved by the Board of Directors.

The Investment Accounts have no stated maturity date, and upon request principal and accrued but unpaid interest may be paid to an Investment Account holder at any time. Although withdrawal requests usually are processed on the day received, the Foundation reserves the right to require 30 days advance written notice of any withdrawal. The Investment Accounts are not transferable. The Investment Accounts represent unsecured obligations of the Foundation and thus would

rank behind secured obligations in the event of a liquidation of the Foundation, although the Foundation had no secured obligations at December 31, 2010, 2009, and 2008.

DESCRIPTION OF THE OFFERING

The Investment Accounts are being offered by and sold through this Prospectus only to persons who are, prior to receipt of this Prospectus, members of, contributors to, or otherwise associated with the Fellowship or in any program, activity or organization which constitutes a part of the Fellowship. The offering is being made only in those states in which the making of such offers and sales may lawfully be made, and subject to the limitations imposed by the laws of the various states. The Investment Accounts are unsecured obligations of the Foundation, all having the same priority to the Foundation's assets and ranking on a parity with its obligations to other general creditors. The Foundation desires to offer its Investment Accounts in any state in which there is a Grace Brethren congregation, subject to prior compliance with the securities laws of such state. In those states which require it, offers and sales will be made only by a Foundation officer or employee licensed as a salesperson or agent under the securities laws of those states.

The Foundation's offering of Investment Accounts is continuous. Offers are or will be made by means of this Prospectus only pursuant to an exemption from registration under state securities laws or by registration, qualification, or other regulatory procedure. The extent to which Investment Accounts will be offered in any state (if any) will depend on a number of factors, including the Foundation's prior experience in a state and the number of Grace Brethren churches located in that state, as well as the size of their respective congregations, securities filing and registration fees, and the necessity for periodic approval of the offerings or amounts in that state.

The primary means of solicitation of investments in Investment Accounts is through direct mailings of this Prospectus to constituents of the Fellowship. If prospective investors do not have a current Prospectus, and they live in a state in which offers or sales of Investment Accounts may then be lawfully made by the Foundation, they may obtain one by mailing a request to the Foundation's office in Winona Lake, Indiana. The Foundation also mails this Prospectus directly to current and prospective investors.

After receiving a Prospectus, prospective investors complete an application form requiring name, address, social security number, indication of whether the applicant is subject to backup withholding under the Internal Revenue Code, and affirmation of the applicant's association with the Fellowship. The applicant is asked to specify the account type from the following options: (1) *Individual Account*. An account owned by a single account holder; (2) *Joint Account with Right of Survivorship*. An account owned by two or more individuals as joint owners. Any one or all of the owners may make withdrawals. Upon the death of one owner, his or her interest in the account passes automatically to the surviving joint owner(s). (3) *UTMA (IN) Account—Minor with Custodian*. Gifts or transfers made to minor children under the applicable law of the Indiana Uniform Transfers to Minors Act. The account is opened in the name of the minor and is controlled by a custodian until the minor reaches the statutory age of majority (21 years). (4) *Trust Account*. An account opened in the name of a trust, having one or more person(s) designated as "trustee(s)." The trust agreement governing the account must be on file at the Foundation. (5) *Organization Account*. An account opened in the name of an organization and managed by designated authorized signers.

The applicant also is asked to specify how he or she wants the interest earned on the Investment Account paid--as an addition to the account monthly or paid by check on a monthly, quarterly, or semi-annual basis. An applicant may open an Investment Account with a minimum of \$25.00 or any greater sum that he or she may select; however, a \$20,000.00 minimum balance is required for investments receiving a monthly interest check.

An investor must subscribe his/her name on a signature card, thereby signifying assent to the terms and conditions as initially provided to the investor and as hereafter amended. The terms and conditions may be altered, amended, or rescinded including those relating to the earning and computation of interest. Notice of changes will be provided to the account holder by any means the Foundation considers to be appropriate, but are effective even if the investor does not actually receive notice of the change if the Foundation has mailed a notice at the address of record.

Investors receive receipts that detail investments, withdrawals, interest credits, and the running balance. The majority of transactions in these accounts are received by mail. The Foundation also maintains walk-up business hours at its facility 8:00 a.m. to 4:30 p.m. local time Monday through Friday, primarily for the convenience of students of the nearby Grace College and Theological Seminary and local investors associated with the Fellowship or a Grace Brethren church.

All cash receipts are immediately recorded, and the Foundation sends deposits to a local financial institution daily. Investments and withdrawal requests received in the mail generally are processed and returned by mail that same day. A minimum balance of \$25.00 is required to avoid a monthly service fee of \$2.00.

Money invested and the interest thereon may be withdrawn only by order of the investor in writing or by his/her legal representative in case of death. The Foundation reserves the right to only honor requests for withdrawal on approved forms via mail or electronic device and to disburse the withdrawal by a check payable to the investor. If the investor chooses to name another person to act as his/her attorney-in-fact, the investor must provide the Foundation with the original power of attorney and other satisfactory evidence before conducting any transaction. Once recorded on the records of the Foundation, the appointment stands until rescinded by the account holder and the Foundation has received written notification of the revocation and has had reasonable time to act upon it.

Statements and other information regarding accounts will be sent to the last address provided to the Foundation by the investor. When mail is returned as "undeliverable," the account status is changed from active to dormant. The Foundation is required to turn over dormant accounts to the state as specified by state law after a specified period of time. To recover funds, a claim must be filed with the applicable state agency.

As of the date of this Prospectus, interest on Investment Accounts is being paid at the rate of 2.50% annually, compounded daily. Interest rates are subject to change at any time by action of the Foundation without prior notice to or the consent or approval of investors.

The Foundation historically has offered separate Trust Investment Accounts, available only to GBNAM, as Trustee for certain Intervivos and Retirement Accounts, at an interest rate higher than the Investment Accounts offered by and sold through this Prospectus. The average rate of interest on these Trust Investment Accounts at the date of this Prospectus was 5.43 percent, and, as of December 31, 2010, the aggregate outstanding balance of these accounts was \$701,405. GBNAM has historically invested the balances of these Trust Investment Accounts with the Foundation and they were presumed to be long-term investments. Because of their long-term nature, and because of the residual benefit to GBNAM's missions work that was tied to most of these accounts (via gift annuity and charitable remainder trust annuity contracts), the Foundation determined that offering a higher rate of interest was appropriate. The Trust Investment Accounts are general unsecured obligations of the Foundation and have no seniority in right of payment over the Investment Accounts. The Trustee of the Trust Investment Accounts therefore would share (on a pro rata basis) with the Investment Account holders in the distribution of the assets of the Foundation available for distribution to creditors of the Foundation, in the event that the Foundation were ever to become insolvent.

The Investment Accounts being offered by and sold through this Prospectus are to be treated as separate Investment Accounts from the Trust Investment Accounts and the information within this Prospectus pertains only to the Investment Accounts being offered herein.

TAX ASPECTS

Investment Account Holders are not entitled to claim a deduction for a charitable contribution upon investment of funds in an Investment Account. The interest paid or payable on the Investment Account will be taxable as ordinary income to the account holder in the year it is paid or accrued. The Foundation suggests that account holders consult their accountants or legal advisors as to the proper recognition of the interest paid for federal and state income tax purposes.

The Foundation is required in certain circumstances to withhold 28% of the interest paid on the Investment Accounts including, for example, when account holders fail to provide the Foundation a correct Social Security or Federal Tax Identification Number and when notified by the Internal Revenue Service that an account holder is subject to "backup withholding." At the beginning of each calendar year, Form 1099s are mailed to each account holder identifying the interest earned on each account during the preceding calendar year.

In addition, account holders investing greater than \$250,000 in the aggregate with the Foundation may under certain circumstances, depending in part on the interest rates paid by the Foundation from time to time, be deemed to have realized for federal income tax purposes "imputed interest" income in an amount that is greater than the amount of interest actually paid to the account holder, as a result of the below-market interest rules of Internal Revenue Code Section 7872. Depending

on the account holder's particular circumstances, a deduction for a charitable contribution may be available to the extent that an account holder reports interest income in an amount that is greater than the amount of interest actually paid to the account holder. An account holder with aggregate balances greater than \$250,000 should discuss this issue with his or her tax advisor.

LEGAL PROCEEDINGS

As of the date of this Prospectus, there were no lawsuits, actions, or other legal or administrative proceedings or claims pending or threatened against the Foundation and there were no lawsuits, actions, or other legal or administrative proceedings or claims pending or threatened against the directors or officers in relation to their duties with the Foundation.

OPERATIONS

Location

The Foundation's offices are located in the north-central Indiana town of Winona Lake, which has a population of approximately 4,081. Immediately adjacent is the city of Warsaw, which has a population of approximately 12,782. The Foundation occupies approximately 6,340 square feet in the 15,454 square foot building, owned by the Foundation, known as Kings Way Suites located at 1401 Kings Highway, Winona Lake, Indiana 46590. The square footage in the building not occupied by the Foundation is made available for rent or lease for professional offices.

Management

The management of the Foundation is directed by a Board of Directors (the "Board") through officers and staff of the Foundation who are responsible for its daily activities. The composition of the Board, officers, and staff is as described below.

Directors

The Foundation is a not-for-profit, tax-exempt Indiana corporation and thus has no shareholders. Its membership consists of all persons who have made a contribution of at least \$25.00 or more during the fiscal year to support the ministries of the Foundation and who are affiliated with a local church associated with the Fellowship. The members annually elect four to five members to serve on the Foundation's Board.

Members of the Board may be elected to serve three-year terms, with no limit on the number of terms an individual may serve. Candidates for Board membership are selected by the existing Board. The Foundation strives to maintain a reasonable diversification of the membership of the Board 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 valuable to the Board.

Each of the Directors receives reimbursement for travel and other expenses associated with board and committee meetings that are incurred by Directors and their spouses, but otherwise the Directors receive no reimbursement or compensation for their services as Directors. In addition, members of the Board may be investors in the Foundation on the same terms and conditions as other investors. As of December 31, 2010, the directors, officers, and executive staff of the Foundation, as a group, held personal Investment Accounts aggregating \$1,116,307. These accounts are funded totally by personal contributions, and they do not represent a form of compensation from the Foundation. Furthermore, these accounts are subject to the same interest rate and terms of all general investment accounts of the Foundation. No director or officer of the Foundation has, during the past ten years, been convicted of any criminal proceeding (other than for traffic violations or other minor misdemeanors), is the subject of any pending criminal proceedings, or was the subject of any order, judgment or decree of any court enjoining such individual from any activities associated with the offer or sale of securities.

The following individuals presently serve as members of the Board of the Foundation:

Theodore J. Adomanis 68 Robarts Drive Milton, Ontario L9T 5P3 Canada	Director since: 01/01/2005 Term expires: 12/31/2012
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Mr. Adomanis serves with Grace Brethren Canada, a position he has held since 2002. Mr. Adomanis, a certified public accountant since 1979, formerly had worked for Pension Benefit Guaranty Corporation, Washington, D.C. in various management positions from 1978-2001, retiring as Special Assistant to the Deputy Executive Director and Chief Operating Officer. He graduated from Grace Theological Seminary in 2007 with a Master of Ministry degree. Mr. Adomanis is Chairman of the Board of the Foundation.

James R. Augspurger 71 North West Street Westerville, Ohio 43081	Director since: 01/01/2010 Term expires: 12/31/2012
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Dr. Augspurger is Executive Pastor of Grace Brethren Church of Columbus, Worthington, Ohio, a position he has held since 1998. Prior to his position at the church, he managed his own dental practice for 25 years.

Joshua D. Balmer 100 Township Line Road Telford, Pennsylvania 18969	Director since: 01/01/2005 Term expires: 12/31/2013
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Mr. Balmer is manager of finance and administration of his family's business, Penn Valley Gas in Telford, Pennsylvania, where he has been employed since 2002.

David H. Coleman 8704 Gosling Way Powell, Ohio 43065	Director since: 01/01/2005 Term expires: 12/31/2012
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Mr. Coleman is a staff member of Grace Brethren Church of Powell, Ohio, serving in the areas of church operations, financial management, facilities and ministry support staff, a position he has held since March 2002. He formerly had worked in the employee benefits/insurance industry for 17 years in various management and executive level positions.

Ralph D. Hampton 6215 Beachcomber Drive Long Beach, California 90803	Director since: 01/01/2006 Term expires: 12/31/2011
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Mr. Hampton is Church Administrator of Grace Brethren Church of Long Beach, California, a position he has held since 1988.

George T. Hutchison 146 Sweetwater Lane Newmanstown, Pennsylvania 17073	Director since: 01/01/2009 Term expires: 12/31/2011
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Mr. Hutchison has owned and managed two printing related businesses, including the most recent printing software company, which he has owned since 1995 and currently is involved on a part time basis. He also serves as a Seminar Instructor, Money Map Coach, and Small Group Leader with Crown Financial Ministries.

Robert MacMillan Jr. Director since: 04/01/2005
2931 Georgia Court Term expires: 12/31/2013
Tracy, California 95763

Rev. MacMillan is Senior Pastor of Tracy Grace Brethren Church in Tracy, California, a position he has held since 1990.

Howard W. Mayes Director since: 06/01/2007
1427 Avalon Court Term expires: 12/31/2013
Winona Lake, Indiana 46590

Dr. Mayes is retired as Senior Pastor of Clinton Grace Brethren Church in Clinton, Maryland, where he served from 1992 to 2009.

Jerry W. Michael Director since: 07/01/1986
71 Timothy Drive Term expires: 12/31/2013
Martinsburg, West Virginia 25401

Mr. Michael is President of IRSCompliance.org, a consulting company organized in 2005. He retired as Chief of the Information Returns Branch of the Internal Revenue Service of the United States Department of the Treasury in 2004, having been employed by the IRS for 39 years.

Dayne E. Nix Director since: 05/01/2009
P.O. Box 8425 Term expires: 12/31/2012
Monterey, California 93943

Dr. Nix is a retired Chaplain (Commander) in the U.S. Navy, serving from 1986 to 2008. He presently is an associate professor at the Naval War College in Monterey, California.

James L. Poyner Director since: 10/01/2005
10934 Peppertree Lane Term expires: 12/31/2011
Port Richey, Florida 34668

Rev. Poyner is Senior Pastor of Gulfview Grace Brethren Church in Port Richey, Florida, a position he has held since 1981.

A. Kent Semple Director since: 01/01/1999
7989 Holderman Street Term expires: 12/31/2011
Lewis Center, Ohio 43035

Mr. Semple is a certified public accountant and works as Tax Manager for the Columbus, Ohio office of Mesarvey, Russell & Company, a position he has held since 1995.

Philip J. Sparling Director since: 01/01/2011
3120 Wilson Drive Term expires: 12/31/2013
Auburn, California 95603

Rev. Sparling is Senior Pastor of Auburn Grace Community Church in Auburn, California, where he has been employed since 1991.

Richard C Stair
P.O. Box 1595
Warsaw, Indiana 46581

Director since: 07/01/2003
Term expires: 12/31/2012

Mr. Stair is Senior Vice President, Global Operations and Logistics of Zimmer, Inc. in Warsaw, Indiana. He has been employed by Zimmer, Inc. since 1986.

Officers

The Board appoints the officers of the Foundation. Officers are selected based upon their qualifications and considering the duties of the position. The present officers of the Foundation are:

Larry N. Chamberlain, President and
Chief Executive Officer
6151 East 1000 South
LaFontaine, Indiana 46940

Dr. Chamberlain has been President of the Foundation since 1999 and Chief Executive Officer since 1989. From 1986 to 1989 Dr. Chamberlain was Assistant Executive Director. He has been employed by the Foundation since 1977. Prior to 1977, he was manager and lending officer of the former National Central Bank in Lancaster, Pennsylvania. Dr. Chamberlain attended Lehigh University's graduate School of Business and holds a Master of Business Administration degree from Indiana University and a Doctor of Strategic Leadership degree from Regent University. He serves as an evening facilitator for Indiana Wesleyan University's College of Adult and Professional Studies. He served as a member of the Board of Trustees for Warsaw Community School Corporation, Warsaw Community Public Library and currently the Kosciusko County Martin Luther King Commemoration Committee. He is a member of the Christian Business Faculty Association, Christian Leadership Alliance, American Finance Association, and National Association of Evangelicals Chaplaincy Commission. He has served as an active member of the Warsaw Flotilla of the United States Coast Guard Auxiliary.

Kenneth A. Seyfert, Vice President and Treasurer
and Executive Director of Operations
138 East Dellview Drive
Warsaw, Indiana 46582

Mr. Seyfert was appointed the Foundation's Vice President and Executive Director of Operations in August, 2004. Since 1999 he also has served as Treasurer of the Foundation. From June 1997 to August 2004 he was Managing Director and Officer of Operations. He is responsible for the daily direction and supervision of the Foundation, as well as management of the investment and loan portfolios. Mr. Seyfert has more than 35 years of experience in banking and finance, and was formerly an Investment Executive with Fahnestock & Co., Inc. with over \$30,000,000 of assets under his management. He holds a Bachelor of Arts degree magna cum laude from Lebanon Valley College, Lebanon, Pennsylvania, and graduated from PBA School of Banking and Finance at Bucknell University, Lewisburg, Pennsylvania. Mr. Seyfert has taken and passed the Series 63 and Series 7 examinations required of individuals who represent securities on behalf of an issuer and is licensed in all states in which such licensure is required. He continues with additional education and conferences that relate to assisting with his management responsibilities at the Foundation and is a member of the Christian Leadership Alliance. Mr. Seyfert served as the national moderator for the 2007 meetings of the Denominational Investment Loan Association. He currently serves as chairman of the Retirement Investment Plan for the Fellowship of Grace Brethren Churches. Mr. Seyfert is an active member of the Winona Lake Grace Brethren Church, serving on an advisory committee to the Board of Overseers.

Brenda S. Byers, Secretary and
Director of Finance and Administration
5897 East Pierceton Road
Pierceton, Indiana 46562

Mrs. Byers is Secretary and Director of Finance and Administration for the Foundation. She has been an employee of the Foundation since 1986. Mrs. Byers holds a Bachelor of Science degree in Business Administration from Grace College, Winona Lake, Indiana, and a Master of Science degree in Management from Indiana Wesleyan University, Marion, Indiana. Mrs. Byers also serves on the human resource committee, worship team, and the business commission for the Winona Lake Grace Brethren Church.

Executive Staff

The Executive Staff of the Foundation, who are engaged in its day-to-day operations, include the following officers, whose biographical information appears above under "Officers":

Dr. Larry N. Chamberlain, President and Chief Executive Officer
Mr. Kenneth A. Seyfert, Vice President and Treasurer and Executive Director of Operations
Mrs. Brenda S. Byers, Secretary and Director of Finance and Administration

Compensation of Officers and Executive Staff

For the fiscal years ending December 31, 2010 and 2011, the Officers and Executive Staff members received or will receive in the aggregate the following compensation in gross earnings and benefits from the Foundation for services provided to the Foundation.

<u>Compensation</u>	<u>Actual as of December 31, 2010</u>	<u>Estimate as of December 31, 2011</u>
Gross Earnings	\$307,258	\$301,746
Benefits	<u>79,209</u>	<u>102,972</u>
	<u>\$386,467</u>	<u>\$404,718</u>

Benefits include group health and life insurance, group disability insurance, and a group retirement investment plan. In addition to the earnings and benefits stated above, the Foundation also provided a vehicle for use by the Executive Director of Operations, which annual depreciation for this vehicle totaled \$6,895 in fiscal 2010.

Committees

The Chairman of the Board appoints directors to the Investment Committee, which is empowered to review savings and loan policy and rates and to assess the financial reports and reserve portfolios of the Foundation during the semi-annual meetings of the Board. The Chairman also appoints directors to the Audit Review Committee, which reviews the annual certified audit of the Foundation and any accompanying management letter. Other standing committees of the Board include Finance, Nominating/Board Development, Chaplaincy Ministry, and Executive Care. The Executive Staff serves as the Loan Committee, which reviews loan applications prior to submission, if applicable, to the Board for approval.

Office Staff

The Foundation has an office staff of four full-time persons. The full-time office staff receive fixed salaries and certain benefits consisting of group health and life insurance, group disability insurance, and a group retirement investment plan.

Major Contracts

In prior years, the Foundation had a loan participation agreement with Foundation Capital Resources, Inc. (FCR). On February 8, 2008, the primary borrower on the participation loan agreement secured alternate financing and paid in full the obligation owed with no loss of interest or principal to the Foundation and FCR. As of the date of this prospectus, the Foundation has no current participation agreements with other lenders.

Contributions

To the extent that the Foundation accumulates revenue in excess of that needed to defray its administrative and interest expenses or to make loans, in accordance with its status as a not-for-profit religious organization, it makes periodic contributions of a portion of this excess revenue to various activities sponsored by the Fellowship and organizations and entities affiliated with the Fellowship. Contributions to these organizations totaled \$583,633 during fiscal year ending December 31, 2010. The policy and procedure governing goodwill contributions, as adopted in November 2006, provides, in part, that the awarding of goodwill contributions shall be entirely at the discretion of the Board, following the completion of the annual audit, and shall always be considered as ancillary to the Foundation's primary purpose of providing a source of funding, in the form of capital loans, for acquiring, developing, and remodeling, land and buildings for churches, schools and other associated organizations in the Fellowship. The Foundation will not make any contribution that would cause the Foundation to no longer be in compliance with state securities laws, regulations, guidelines, or policy statements applicable to the offering of the Investment Accounts, or to be in breach of its fiduciary duties.

Competition

There are a wide variety of financial institutions, investment companies, and investment opportunities available to prospective and current Investment Account holders in addition to the Foundation's Investment Accounts. For example, many banks and savings and loans offer certificates of deposit or savings accounts that may be attractive investments for some investors. Others may be more interested in riskier investments afforded through corporate bonds, equity securities, and mutual funds. Thus, there is a potentially infinite variety of investment opportunities available to prospective Investment Account holders that from time to time may offer more attractive rates of interest or more security than Investment Accounts.

However, the Foundation may be distinguished from this group by one of its primary purposes and goals: to make loans solely for the purpose of acquiring, developing, and remodeling, land and buildings for churches, schools, and other associated organizations. The Foundation limits the availability of Investment Accounts to those who are associated with the Fellowship. While there are several other nationwide religious organizations that solicit funds from members of their denomination for purposes similar to those of the Foundation, they generally limit their solicitations to members of their own denomination. Thus, the Foundation does not perceive these groups as being direct competitors of the Foundation.

TAX STATUS OF THE FOUNDATION

In January 1974, the Foundation applied for an exemption from federal income taxation pursuant to Section 501(c)(3) of the Code as a not-for-profit religious organization. In January 1975, the Internal Revenue Service concluded that the Foundation was exempt from federal income tax under Section 501(c)(3), effective October 31, 1973. The Service also determined that the Foundation was not a private foundation within the meaning of Section 501(a) of the Code, finding that it was an organization described in Section 509(a)(3).

The tax consequences of investment in the Investment Accounts are described under "**TAX ASPECTS.**"

REGULATORY MATTERS

Securities such as the Foundation's Investment Accounts are exempt from the registration provisions of the Securities Act of 1933, as amended, and from the registration provisions of certain state securities laws, because they are offered by a charitable, religious, not-for-profit organization. In some states, however, securities such as the Investment Accounts must

be registered prior to their offer and sale. Moreover, in certain states, the agents engaged in sales activities must be registered. Most states have enacted statutes governing the borrowing and lending activities undertaken within the state. The Foundation believes that it is in compliance with or is actively taking steps to comply with the laws of each state in which it is offering or intends to offer Investment Accounts pursuant to this Prospectus. However, the applicability of certain laws and regulations to the activities of the Foundation is not entirely clear because of the relatively unique nature of the Investment Accounts. It is therefore possible that the activities of the Foundation in one or more states could be curtailed or prohibited, or that regulatory requirements could be imposed that would cause the Foundation to suspend or terminate its activities in one or more states.

The Foundation periodically reviews its procedures for soliciting funds for Investment Accounts and making loans to assure that it complies with applicable state law.

ADDITIONAL INFORMATION

Registration statements and applications to exempt the offer and sale of Investment Accounts from registration under the securities laws of several states have been filed with the appropriate governmental offices in those states. The information contained in those statements and applications, including information not provided in this Prospectus, generally is available for inspection during normal business hours.

ANNUAL MEETING AND REPORTS

The annual meeting of the members is held in conjunction with the National Conference of the Fellowship. Semi-annual meetings of the Board of Directors are held in the spring and fall. The Foundation's current audited financial statements will be made available to Investment Account holders upon written request and will be mailed to investors within 120 days of its last fiscal year end.

LEGAL OPINIONS

Ice Miller LLP, Indianapolis, Indiana, has provided its opinion to the Foundation that, based upon certain factual representations made by the Foundation and subject to certain qualifications, the Investment Accounts are validly authorized by all necessary corporate action and represent the binding obligations of the Foundation.

INDEPENDENT AUDITORS

The statements of financial position of the Foundation as of December 31, 2010, 2009, and 2008, and the related statements of activities and changes in net assets and the statements of cash flows for the years ended December 31, 2010, 2009, and 2008, set forth in this Prospectus have been included in reliance upon the report of Capin Crouse LLP, Greenwood, Indiana, independent certified public accountants, given on the authority of that firm as independent auditors.

FINANCIAL STATEMENTS AND REPORT OF CERTIFIED PUBLIC ACCOUNTANTS Fiscal Years Ended December 31, 2010, 2009, and 2008

See pages 21-35

INDEPENDENT AUDITORS' REPORT

Board of Directors
Grace Brethren Investment Foundation, Inc.
Winona Lake, Indiana

We have audited the accompanying statements of financial position of Grace Brethren Investment Foundation, Inc. (Foundation) (a nonprofit organization) as of December 31, 2010, 2009, and 2008, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 15, the Foundation has adopted the new provision of the FASB Accounting Standards Codification for Subsequent Events. The adoption of this standard had no impact on previously reported net assets.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grace Brethren Investment Foundation, Inc. as of December 31, 2010, 2009, and 2008, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Greenwood, Indiana
February 11, 2011

**GRACE BRETHERN
INVESTMENT FOUNDATION, INC.**

Statements of Financial Position

	December 31,		
	2010	2009	2008
ASSETS:			
Cash and cash equivalents	\$ 26,458,842	\$ 15,612,763	\$ 7,062,561
Investments	15,985,000	25,484,000	25,459,000
Loans receivable—net	45,499,029	42,282,673	41,251,422
Accrued interest receivable	146,218	168,591	154,318
Property and equipment—net	748,547	791,123	788,344
Prepaid expenses and other assets	103,626	90,458	95,863
Total Assets	\$ 88,941,262	\$ 84,429,608	\$ 74,811,508
LIABILITIES AND NET ASSETS:			
Liabilities:			
Investment accounts	\$ 79,513,952	\$ 75,721,452	\$ 66,682,521
Investment accounts—officers, directors, and executive staff	1,116,307	786,871	603,216
Accounts payable and other liabilities	593,293	553,576	510,761
Total liabilities	81,223,552	77,061,899	67,796,498
Net assets:			
Unrestricted—undesignated	6,929,379	6,576,586	6,226,666
Unrestricted—board designated	39,784	-	-
Net investment in property and equipment	748,547	791,123	788,344
Total net assets	7,717,710	7,367,709	7,015,010
Total Liabilities and Net Assets	\$ 88,941,262	\$ 84,429,608	\$ 74,811,508

See notes to financial statements

**GRACE BRETHREN
INVESTMENT FOUNDATION, INC.**

Statements of Activities and Changes in Net Assets

	Year Ended December 31,		
	2010	2009	2008
SUPPORT AND REVENUE:			
Interest on loans	\$ 3,224,384	\$ 3,117,958	\$ 2,844,171
Investment revenue—interest income	850,863	1,153,290	1,309,981
Rental and other income	56,131	51,565	57,144
Total Support and Revenue	4,131,378	4,322,813	4,211,296
OPERATING EXPENSES:			
Interest on investment accounts	2,104,261	2,342,637	2,347,414
Salaries and wages	469,351	475,319	458,196
Insurance	165,254	141,062	129,004
Board expenses	70,115	52,890	44,980
Depreciation	62,295	58,678	57,078
Professional services	43,374	47,116	52,492
Payroll taxes	35,748	36,209	35,352
Repairs and maintenance	35,544	35,653	39,980
Travel expenses	34,585	33,914	38,914
Data processing services	33,203	22,221	20,488
Retirement fund	33,028	32,682	25,064
Utilities	32,832	31,820	33,785
Office expenses	23,106	22,822	26,987
Promotion and advertising	15,572	8,780	10,304
Telephone	15,394	11,692	12,577
Postage	13,616	14,284	14,296
Securities registration	8,040	7,240	8,378
Miscellaneous	6,291	3,672	4,710
Reserve investment expense	5,665	10,618	4,146
Bank charges	4,529	6,664	2,568
FGBC National Conference	1,258	1,882	3,341
Property taxes	-	-	3,364
Total Operating Expenses	3,213,061	3,397,855	3,373,418
Net Support and Revenue over Operating Expenses	918,317	924,958	837,878
OTHER REVENUE (EXPENSES):			
Gain on sale of assets	-	-	5,500
Contribution support	20,000	1,014	-
Contribution expenses	(583,633)	(555,633)	(483,433)
Chaplaincy ministry support	90,850	58,103	50,492
Chaplaincy ministry	(63,200)	(65,327)	(73,924)
FGBC pension investment	155	-	-
Reserve expenses for loans receivable	(32,488)	(10,416)	(21,329)
Total Other Revenue (Expenses)	(568,316)	(572,259)	(522,694)
Change in Net Assets	350,001	352,699	315,184
Net Assets—Unrestricted, Beginning of Year	7,367,709	7,015,010	6,699,826
Net Assets—Unrestricted, End of Year	\$ 7,717,710	\$ 7,367,709	\$ 7,015,010

See notes to financial statements

**GRACE BRETHERN
INVESTMENT FOUNDATION, INC.**

Statements of Cash Flows

	Year Ended December 31,		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 350,001	\$ 352,699	\$ 315,184
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation	62,295	58,678	57,078
Reserve for loans receivable–net	32,488	10,416	21,329
Change in:			
Accrued interest receivable	22,373	(14,273)	883
Prepaid expenses and other assets	(13,168)	5,405	(6,650)
Accounts payable and other liabilities	39,717	42,815	67,241
Net Cash Provided by Operating Activities	<u>493,706</u>	<u>455,740</u>	<u>455,065</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(19,719)	(61,457)	(86,120)
Proceeds from sale or redemption of:			
Matured/redeemed certificates of deposit	26,838,000	18,040,660	2,623,000
Principal payments–loans receivable	10,864,490	10,184,988	28,254,305
New loans issued	(14,113,334)	(11,226,655)	(26,224,114)
Participation loan activity	-	-	(4,373,211)
Purchase of certificates of deposit	(17,339,000)	(18,065,660)	(4,514,000)
Net Cash Provided (Used) by Investing Activities	<u>6,230,437</u>	<u>(1,128,124)</u>	<u>(4,320,140)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in investment accounts	22,576,884	24,829,241	25,442,623
Decrease in investment accounts	(18,784,384)	(15,790,310)	(19,116,654)
Increase in investment accounts– officers, directors, and executive staff	489,404	494,162	514,106
Decrease in investment accounts– officers, directors, and executive staff	(159,968)	(310,507)	(218,058)
Net Cash Provided by Financing Activities	<u>4,121,936</u>	<u>9,222,586</u>	<u>6,622,017</u>
Change in Cash and Cash Equivalents	10,846,079	8,550,202	2,756,942
Cash and Cash Equivalents, Beginning of Year	<u>15,612,763</u>	<u>7,062,561</u>	<u>4,305,619</u>
Cash and Cash Equivalents, End of Year	<u>\$ 26,458,842</u>	<u>\$ 15,612,763</u>	<u>\$ 7,062,561</u>
SUPPLEMENTAL DISCLOSURES:			
Interest paid	<u>\$ 2,104,261</u>	<u>\$ 2,342,637</u>	<u>\$ 2,347,414</u>

See notes to financial statements

GRACE BRETHREN INVESTMENT FOUNDATION, INC.

Notes to Financial Statements

December 31, 2010, 2009, and 2008

1. DESCRIPTION OF THE ORGANIZATION:

Grace Brethren Investment Foundation, Inc. (Foundation) is incorporated in the state of Indiana as a not-for-profit organization and has been approved by the Internal Revenue Service as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (code). The Foundation is classified as a publicly supported organization, which is not a private foundation under Section 509(a)(1) of the code. Contributions are tax-deductible within limitations prescribed by the code.

The primary purpose of the Foundation is to loan funds to affiliates of the Fellowship of Grace Brethren Churches, Inc. (Fellowship), including churches and affiliated organizations, for buildings, remodeling, and expansion. Financing for these projects is provided by offering investment accounts to those affiliated organizations and their members. The rate of return paid on these accounts is dependent on the overall financial condition of the Foundation and the availability of funds. Due to the fact that all investing and financing opportunities are restricted to persons and organizations affiliated with the Fellowship as described above, all deposit and lending transactions are deemed, as such, to be with related parties.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements of the Foundation are prepared under the accrual method of accounting. Revenue is reported when earned. Expenses are reported when incurred. The functional allocation of expenses is displayed in Note 13 and represents allocation of the Foundation expenses in accordance with the program services or supporting activities benefited.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements. Accordingly, actual results could differ from those estimates. Significant estimates in these financial statements include the allocation of expenses on a functional basis, depreciation expense, and reserves for loan losses.

CASH AND CASH EQUIVALENTS

For financial statement purposes, the Foundation considers investments in money funds, short-term investments, and certificates of deposit with original maturities of 90 days or less as cash equivalents. (Also see Note 12.)

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2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS (continued)

A summary of cash and cash equivalents is as follows:

	December 31,		
	2010	2009	2008
Cash in checking accounts	\$ 765,797	\$ 2,799,486	\$ 1,500,065
Money funds	25,693,045	12,813,277	5,562,496
Total	<u>\$ 26,458,842</u>	<u>\$ 15,612,763</u>	<u>\$ 7,062,561</u>

PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is computed by the straight-line method based upon the estimated useful life of the related asset, ranging from 5 to 30 years. The Foundation capitalizes expenditures for property and equipment in excess of \$500.

INVESTMENTS

Investments consist entirely of certificates of deposit. The certificates of deposit are valued at cost, which approximates fair value. Return on investments consist of interest income. (Also see note 3.)

NET ASSETS

Unrestricted net assets are those currently available at the discretion of the Board of Directors for use in the Foundation's operations, and those resources invested in property and equipment.

REVENUE AND SUPPORT

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Foundation.

CONTRIBUTION EXPENSES

To the extent that the Foundation accumulates revenue in excess of that needed to defray its administrative and interest expenses or to make loans, in accordance with its status as a not-for-profit religious organization, it makes periodic contributions of a portion of this revenue to various activities sponsored by the Fellowship. These organizations include the Fellowship church-planting ministry, Grace Schools, CE National, Grace Brethren International Missions, and other Fellowship affiliates. Contributions to these organizations were \$583,633, \$555,633, and \$483,433, for the years ended December 31, 2010, 2009, and 2008, respectively. The final amount of contributions in any fiscal year will be determined at the sole discretion of the Board of Directors.

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Notes to Financial Statements

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2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ADVERTISING

The Foundation expenses advertising costs as incurred. Advertising costs were \$15,572, \$8,780, and \$10,304 for the years ended December 31, 2010, 2009, and 2008, respectively.

3. INVESTMENTS:

Investments consist of:

CERTIFICATES OF DEPOSITS

	December 31,		
	2010	2009	2008
Certificates of Deposits	\$ 15,985,000	\$ 25,484,000	\$ 25,459,000
	December 31,		
Maturing December 31,	2010	2009	2008
2009	\$ -	\$ -	\$ 19,715,000
2010	-	11,787,000	5,744,000
2011	14,094,000	13,697,000	-
2012	945,000	-	-
2013	946,000	-	-
	\$ 15,985,000	\$ 25,484,000	\$ 25,459,000

Interest is paid monthly, quarterly, or semiannually at rates varying from 1.47 to 2.77 percent.

Certificates of deposit redeemed prior to maturity date could be subject to forfeiture of interest. For years ending December 31, 2010, 2009 and 2008, management did not experience any loss of interest income due to early redemption of certificates of deposit.

INVESTMENT REVENUE

Investment revenue consists of:

	Year Ended December 31,		
	2010	2009	2008
Interest income	\$ 850,863	\$ 1,153,290	\$ 1,309,981

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4. LOANS RECEIVABLE:

Loans receivable were as follows:

	Year Ended December 31,		
	2010	2009	2008
Mortgage loans—churches	\$ 44,530,298	\$ 41,403,029	\$ 39,898,332
Loans to organizations	1,428,317	1,306,742	1,769,772
	<u>45,958,615</u>	<u>42,709,771</u>	<u>41,668,104</u>
Less reserve for loans receivable	(459,586)	(427,098)	(416,682)
Total loans	<u>\$ 45,499,029</u>	<u>\$ 42,282,673</u>	<u>\$ 41,251,422</u>

Interest rates vary as set by the Board of Directors and historically have ranged from 5.5 percent to 11 percent. As of December 31, 2010, interest rates ranged from 5.5 to 9.25 percent. Maturity of these loans are variable as determined at the loan origination (or as later modified by board approval) and range from a few months to a maximum of thirty years.

Loans receivable will mature as follows:

Years Ending December 31,	Principal Reduction Total
2011	\$ 996,067
2012	1,044,572
2013	1,102,239
2014	1,163,537
2015	1,223,983
Thereafter	<u>40,428,217</u>
	<u>\$ 45,958,615</u>

Although the Foundation has no geographic restrictions within the United States on where loans are made, aggregate loans in excess of five percent of total balances are located in the following states:

State	Number of Loans	Principal Outstanding	Percent of Loan Portfolio
Ohio	20	\$ 33,111,154	72%
Pennsylvania	8	4,618,992	10%
California	8	2,740,710	6%
Maryland	6	2,610,344	6%
	<u>42</u>	<u>\$ 43,081,200</u>	<u>94%</u>

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Notes to Financial Statements

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5. LOAN PARTICIPATION AGREEMENT:

The Foundation previously had sold a participation interest in an individual loan receivable to Foundation Capital Resources, Inc., under a written loan participation agreement. On February 8, 2008, the participation loan was paid in full with no loss of interest or principal to the Foundation and Foundation Capital Resources, Inc.

6. PROPERTY AND EQUIPMENT:

Property and equipment consist of:

	December 31,		
	2010	2009	2008
Land	\$ 116,875	\$ 116,875	\$ 116,875
Building	570,625	570,625	570,623
Building improvements	152,248	137,958	99,768
Furnishings and office equipment	110,580	108,751	99,874
Other equipment and software	163,508	159,908	145,519
Vehicles	34,475	34,475	34,475
	1,148,311	1,128,592	1,067,134
Less accumulated depreciation	(399,764)	(337,469)	(278,790)
	\$ 748,547	\$ 791,123	\$ 788,344

7. INVESTMENT ACCOUNTS:

Funds invested in investment accounts are subject to withdrawal upon demand, although the Foundation reserves the right to require 30 days advance written notice. At December 31, 2010, 2009, and 2008, interest was paid respectively, at a rate of 2.5, 3.0, and 3.5 percent annually and compounded daily. There are special accounts that have interest rates from 4.0 to 7.0 percent annually. The amount in these special accounts as of December 31, 2010, 2009, and 2008, totaled \$701,405, \$762,933, and \$741,672, respectively.

The fair value of these investment accounts is the amount payable on demand at the balance sheet date of presentation.

The Directors, Officers, and Executive Staff of Grace Brethren Investment Foundation, Inc. may be investors in the Foundation on the same terms and conditions as other investors. As of the years ended December 31, 2010, 2009, and 2008, as a group, they held investment accounts aggregating \$1,116,307, \$786,871, and \$603,216, respectively.

**GRACE BRETHERN
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Notes to Financial Statements

December 31, 2010, 2009, and 2008

7. INVESTMENT ACCOUNTS, continued:

The Foundation had 181, 153, and 143 investors with aggregate balances of \$100,000 or more as of December 31, 2010, 2009, and 2008, respectively. The balance over \$100,000 is distributed as follows:

<u>Investment Account Balances</u>	December 31, 2010		
	Number of Investors	Aggregate Balance	Percentage of Investment Accounts
\$100,000 – \$200,000	129	\$ 17,052,737	21%
\$200,001– \$300,000	28	6,849,653	8%
\$300,001– \$500,000	13	4,847,196	6%
Greater than \$500,000	11	10,989,267	14%
	<u>181</u>	<u>\$ 39,738,853</u>	<u>49%</u>
	December 31, 2009		
<u>Investment Account Balances</u>	Number of Investors	Aggregate Balance	Percentage of Investment Accounts
\$100,000 – \$200,000	109	\$ 14,543,923	19%
\$200,001– \$300,000	25	6,092,463	8%
\$300,001– \$500,000	10	3,594,420	5%
Greater than \$500,000	9	10,480,970	14%
	<u>153</u>	<u>\$ 34,711,777</u>	<u>46%</u>
	December 31, 2008		
<u>Investment Account Balances</u>	Number of Investors	Aggregate Balance	Percentage of Investment Accounts
\$100,000 – \$200,000	110	\$ 14,410,458	21%
\$200,001– \$300,000	18	4,382,510	7%
\$300,001– \$500,000	7	2,512,402	4%
Greater than \$500,000	8	8,721,801	13%
	<u>143</u>	<u>\$ 30,027,171</u>	<u>45%</u>

**GRACE BRETHREN
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Notes to Financial Statements

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7. INVESTMENT ACCOUNTS, continued:

The Foundation's investors are primarily concentrated in the following states:

December 31, 2010			
State	Number of Investors	Aggregate Balances	Percentage of Investment Accounts
Indiana	979	\$ 18,614,701	23%
Ohio	874	18,454,876	23%
Pennsylvania	705	17,560,499	22%
	<u>2,558</u>	<u>\$ 54,630,076</u>	<u>68%</u>
December 31, 2009			
State	Number of Investors	Aggregate Balances	Percentage of Investment Accounts
Indiana	1,012	\$ 18,391,012	24%
Ohio	882	16,520,367	22%
Pennsylvania	709	16,594,331	22%
	<u>2,603</u>	<u>\$ 51,505,710</u>	<u>68%</u>
December 31, 2008			
State	Number of Investors	Aggregate Balances	Percentage of Investment Accounts
Indiana	1,017	\$ 15,818,958	24%
Ohio	893	14,842,528	22%
Pennsylvania	713	13,594,452	20%
	<u>2,623</u>	<u>\$ 44,255,938</u>	<u>66%</u>

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8. EMPLOYEE BENEFITS:

RETIREMENT PLAN

The Foundation has a defined contribution plan qualifying under Section 403 of the code, which was established as of January 1, 1991. All current employees are eligible for participation in the plan. The Foundation's contribution to this plan, included in expenses, were \$33,028, \$32,682, and \$25,064 for the years ended December 31, 2010, 2009, and 2008, respectively.

MEDICAL BENEFITS

Effective March 1, 2002, the Foundation offered employees a medical savings account plan. The medical savings account premiums are partially employer funded. Effective June 1, 2004, the Foundation converted to a health savings account plan. The employer does not incur any liability for claims made by employees. The costs incurred for the plans were \$124,629, \$101,636, and \$88,426 for the years ended December 31, 2010, 2009, and 2008, respectively.

9. COMMITMENTS:

At December 31, 2010, 2009, and 2008, the Foundation had approved mortgage loans to churches for \$10,632,657, \$10,486,000, and \$8,340,000, of which \$5,116,866, \$4,012,634, and \$3,984,666, respectively, had not been advanced.

10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK:

As disclosed in Note 9, accounting principles generally accepted in the United States of America require all entities to disclose certain information about their financial instruments. Specifically, all entities are required to disclose the risk of an accounting loss from a financial instrument. The possibility that a loss may occur from the failure of another party to perform according to the terms of a contract represents credit risk.

The Foundation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments are commitments to extend credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statements of financial position. The contract amounts of those instruments reflect the extent of involvement the Foundation has in those particular classes of financial instruments.

The Foundation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Foundation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

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10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK (continued):

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments are fixed as to the maximum dollar amount that is available to a particular customer. The making of the commitment itself may require the payment of a fee. Not all commitments have the full amount of the approved funds advanced upon execution of the loan, and some do not fully utilize the entire commitment established. Consequently, the total commitment amounts do not necessarily represent future cash requirements.

The creditworthiness of each loan applicant is assessed on a case-by-case basis. The Foundation makes loans only to not-for-profit organizations that would qualify under Section 501(c)(3) of the code as tax-exempt organizations. These consist of churches, schools, and other organizations associated with the Fellowship of Grace Brethren Churches, Inc. The purpose of the loans is to enable churches, schools, and other organizations associated with the Fellowship to acquire and develop land, build facilities, or remodel and expand existing facilities, with reasonable financing costs. Currently, 93.69% of loans are secured by a first mortgage on the existing facility or real property, and the remaining 6.31% are secured by second mortgage loans wherein the Foundation is also the primary lender in the first lien position. The Foundation will consider second mortgage loans only when the Foundation also holds first lien position. Other credit considerations are represented by the terms of the loan, loan to value ratios, and other credit factors. Currently, the interest rate charged is 5.5 percent to 9.25 percent. The Foundation maintains a policy to review all loans monthly to determine past due or delinquent status based on contractual terms and how recently payments have been received. The Foundation maintains reserve of one percent of the total loan balance for uncollectible accounts. To date, the Foundation has not charged-off any loan balances. As of December 31, 2010, 2009, and 2008, the Foundation did not consider any loans delinquent or impaired. (Also see Note 4.)

Typically, the Foundation will not consider a loan for the purpose of constructing a new building until the congregation or other organization has met an equity interest in the property to the satisfaction of the Foundation. In most instances, the ability of these organizations to repay loans will depend primarily upon the contributions they receive from their constituents and fees or other related charges assessed for services rendered. The number of constituents of these organizations, and the amount of contributions they receive

11. SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK:

As disclosed under the caption "Financial Instruments With Off-Balance Sheet Credit Risk," the Foundation makes loans only to not-for-profit organizations that would qualify under Section 501(c)(3) of the code as tax-exempt organizations. These consist of churches, schools, and other organizations associated with the Fellowship. As of December 31, 2010, 2009, and 2008, the Foundation's loan receivables from those organizations is as disclosed under the caption "Loans Receivable."

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12. CONCENTRATION OF CREDIT RISK:

The definition of a financial instrument includes cash, demand deposits, and certificates of deposit in banks. The demand deposits in banks in excess of \$100,000 (\$250,000 as of October 3, 2008) represent a concentration of credit risk with that financial institution due to the limits of insurability as set forth by the Federal Deposit Insurance Corporation (FDIC). The Foundation has a contractual right to receive currency on demand, and the bank has a contractual obligation to deliver currency on demand. In the case of a bank failure, accounts of deposits in excess of that federally insured amount would be subject to loss. The Foundation has not experienced any such losses. Management believes it is not currently exposed to significant credit risk on cash and cash equivalents. (See Note 2.)

13. FUNCTIONAL EXPENSE ALLOCATION:

Expenses are allocated functionally as follows:

	Year Ended December 31,		
	2010	2009	2008
Program services	\$ 3,235,714	\$ 2,857,424	\$ 3,345,689
General administrative	656,513	616,807	606,415
	\$ 3,892,227	\$ 3,474,231	\$ 3,952,104
Operating expenses	\$ 3,213,061	\$ 3,397,855	\$ 3,373,418
Contribution expenses	583,633	555,633	483,433
Chaplaincy ministry	63,200	65,327	73,924
Reserve expense for loans receivable	32,488	10,416	21,329
FGBC pension investment	(155)	-	-
	\$ 3,892,227	\$ 4,029,231	\$ 3,952,104

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14. RECENTLY ISSUED ACCOUNTING STANDARDS:

On January 1, 2010, the Foundation adopted the new provisions of the *Income Tax* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statements of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2010, the Foundation had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.