

ALBANY DIOCESAN INVESTMENT TRUST

FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

The Trustees
Albany Diocesan Investment Trust

We have audited the accompanying Statements of Assets and Liabilities of Albany Diocesan Investment Trust as of December 31, 2009 and 2008, and the related statements of Operations and Changes in Net Assets for the years then ended. These financial statements are the responsibility of the Organization'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Albany Diocesan Investment Trust as of December 31, 2009 and 2008, and the results of its operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

May 3, 2010


ROSS RIGBY & PATTEN LLP

ALBANY DIOCESAN INVESTMENT TRUST
STATEMENTS OF ASSETS AND LIABILITIES
December 31, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash	\$671,139	\$329,072
Cash - Savings	19,700,000	0
Investments, at market value (cost \$0 in 2009; \$20,205,539 in 2008)	0	17,816,171
Money market funds	0	705,422
Loans receivable	256,739	303,262
Dividends/interest receivable	1,684	76,386
Other receivable	639	0
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	<u>\$20,630,201</u>	<u>\$19,230,313</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Distributions payable	\$259,741	\$310,066
Shareholder deposits	388,038	274,101
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	<u>\$647,779</u>	<u>\$584,167</u>
NET ASSETS	<u>\$19,982,422</u>	<u>\$18,646,146</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$20,630,201</u></u>	<u><u>\$19,230,313</u></u>
Net asset value per share	<u><u>\$27.89</u></u>	<u><u>\$25.86</u></u>

ALBANY DIOCESAN INVESTMENT TRUST
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
December 31, 2009 and 2008

INVESTMENT INCOME AND EXPENSES	2009	2008
INCOME EARNED:		
Interest	\$317,596	\$397,167
Dividends	251,825	246,694
Other Income	3,334	0
TOTAL INCOME	\$572,755	\$643,861
EXPENSES:		
Investment management fees	\$141,967	\$202,880
Administrative expenses	97,401	102,724
Foreign taxes paid	8,050	10,147
Other Expense	195	0
TOTAL EXPENSES	\$247,613	\$315,751
NET INVESTMENT INCOME	\$325,142	\$328,110
REALIZED AND UNREALIZED GAINS (LOSSES)		
ON INVESTMENTS:		
Net realized gain (loss)	\$(213,102)	\$(1,809,416)
Net unrealized gain (loss)	2,389,367	(4,116,736)
TOTAL GAIN (LOSS) ON INVESTMENTS	\$2,176,265	\$(5,926,152)
INCREASE (DECREASE) IN NET ASSETS		
FROM OPERATIONS	\$2,501,407	\$(5,598,042)
DISTRIBUTIONS TO SHAREHOLDERS:		
Distributions paid	\$(1,042,308)	\$(1,228,565)
INCREASE (DECREASE) IN NET ASSETS		
BEFORE SHARE TRANSACTIONS	\$1,459,099	\$(6,826,607)
SHARE TRANSACTIONS:		
Increase in net assets from sales of shares, including dividend reinvestments	\$197,374	\$1,244,378
Decrease in net assets from redemption of shares	(320,197)	(1,645,666)
DECREASE IN NET ASSETS RESULTING FROM		
SHARE TRANSACTIONS	\$(122,823)	\$(401,288)
NET INCREASE (DECREASE) IN NET ASSETS	\$1,336,276	\$(7,227,895)
NET ASSETS:		
Beginning of year	18,646,146	25,874,041
End of year	\$19,982,422	\$18,646,146

ALBANY DIOCESAN INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

(A) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Albany Diocesan Investment Trust (the Trust), established in 1942, operates under a stated Declaration that allows the Episcopal Diocese of Albany, (the Diocese), along with its associated parishes and institutions, to purchase and redeem shares of beneficial interest in the pooled net asset value on specified dates.

INVESTMENT VALUATION

For purposes of determining share value, investments in securities traded on national security exchanges are valued at the last reported sales price on the last day of the month; fixed income and certain securities traded in other markets (and listed securities for which no sale was reported on that day) are valued at the last reported bid price; and money market funds are valued at cost, which approximates market value.

INVESTMENT TRANSACTIONS

Investment transactions are accounted for on the date securities are purchased or sold. The cost of investment securities sold is determined using the average cost method.

SHAREHOLDER DEPOSITS

Shareholder deposits, a liability account on the Trust's statements of assets and liabilities, are principally comprised of shareholder funds received by the Trust, but not yet allocated to purchase shares.

SHAREHOLDER DISTRIBUTIONS

In practice, distributions are recorded to shareholders of record at closing of the last business day of each calendar quarter and paid in the following month. Distributions are generally paid in the form of cash; or, if elected by the shareholder, reinvested shares. The 2009 shareholder distribution amounted to quarterly payments of \$0.3625 per share; or, \$1.45 annually. The 2008 shareholder distribution amounted to quarterly payments of \$0.43 per share; or, \$1.72 annually.

RELATED PARTY TRANSACTIONS

The Trust is related to Episcopal Diocese of Albany (Diocese) and Episcopal Charities of Albany, Inc. (Charities), entities which support the overall mission of the Episcopal Church in upstate New York. Through this relationship, these entities share management, personnel and office facilities, although each entity is governed by a separate oversight board. Transactions between these entities are deemed to be related party transactions.

**ALBANY DIOCESAN INVESTMENT TRUST
NOTES**

**(A) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

INCOME TAXES

The Trust is a grantor trust and is, therefore, not subject to federal and state income taxes.

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates.

(B) INVESTMENT MANAGEMENT

The Trustees of the Episcopal Diocese of Albany are responsible for the oversight of the professional management of the Trust's investments. In general, the investment objective seeks to provide a sustained long term return on investments, including appreciation; and, to generate annualized returns of 5% in excess of the rate of inflation.

Investment managers are afforded flexibility in their investment decisions, although the equity portion of the Trust's investments is not allowed to exceed 70%. No individual equity position is allowed to exceed 5% of total investments. Derivative securities and certain other types of investments are not permitted.

During 2008 and through October 31, 2009, Merrill Lynch was sole custodian for all Trust securities. These investments were allocated among independent specialty firms, each having expertise in their represented market class. The investment allocations at October 31, 2009 were as follows:

<u>Investment Manager</u>	<u>Market Allocation</u>	<u>% of Trust Assets</u>
Massachusetts Financial	US Large Cap/Value	14 %
NFJ Allianz	US Large Cap/Value	15 %
Marsico	US Large Cap/Growth	10 %
Franklin Capital	US Small Cap	4 %
Calamos	US Small Cap	2 %
Calamos	Fixed Income	2 %
Diocesan Development Fund	Fixed Income	1 %
Lehman Brothers	Fixed Income	38 %
Tradewinds	International	14 %
		<u>100%</u>

For investment management purposes, the combined fixed income allocation of 41% includes certain loans receivable at October 31, 2009.

**ALBANY DIOCESAN INVESTMENT TRUST
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(B) INVESTMENT MANAGEMENT (CONTINUED)

In November 2009, the Trustees met to consider a more efficient, productive, and “risk adverse” approach to investing the funds of ADIT. After careful and deliberate review, the Trustees decided to make a change and engage the services of J.P. Morgan Chase Bank as sole investment custodian. This institution emerged from the recent economic recession with strong capitalization in the financial sector and offers a vast array of resources to compete in today’s global marketplace. As a result of moving Trust funds to the new custodian, 99 percent of investments at year end were allocated in cash; the Trust continues to hold the remaining 1 percent in Diocesan Development loan receivables.

Administrative services for the Trust are provided by the Diocese under an arrangement that determines an annual cost not to exceed ½ of 1 percent of the net asset value at the end of the calendar year. The total annual costs for these services were \$97,401 and \$102,724 for 2009 and 2008, respectively.

(C) SHARE TRANSACTIONS

Shares of the Trust may be issued or redeemed on the first business day of a month, at the per share valuation calculated as of the last business day of the preceding month. Purchases and redemptions may be initiated by submitting an irrevocable written request (for purchases, with a check) no later than three business days before the end of the month.

Share transactions during the years ended December 31, 2009 and 2008 were as follows:

Number of Shares	2009	2008
Balance at beginning of the year	721,084	731,018
Shares issued to shareholder, including reinvestments	7,653	38,908
Shares redeemed from shareholders	(12,209)	(48,842)
Balance at end of the year	716,528	721,084

(D) LOANS RECEIVABLE, RELATED PARTY TRANSACTIONS, CONTINGENCIES

In November 2006, the Trust purchased certain loans, approximating \$500,000, from the Diocesan Development Fund, a component of the Diocese. These loans were acquired at the net asset value of the unamortized balance of loan principal. The arrangement provided that the Trust would be “held harmless” in the event of a loan default; and, as such, any future loan loss would be reimbursed by the Diocese to the Albany Diocesan Investment Trust. The balance of these loans was \$256,739 and \$303,262 at December 31, 2009 and 2008 respectively.

The average interest rate on these loans approximates 6.5%. However, the acquisition of these loans, as disclosed herein, may not have been the same had the Trust operated without such related party transactions.

**ALBANY DIOCESAN INVESTMENT TRUST
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(E) NET ASSET VALUE PER SHARE

In accordance with the Declaration of Trust, the net asset values per share at December 31, 2009 and 2008 were determined as follows:

Net Asset Value	2009	2008
Net assets	\$19,982,422	\$18,646,146
Shares outstanding	716,528	721,084
Net asset value per share	\$27.89	\$25.86

(F) SHARE INFORMATION

A schedule of per share information, based upon the number of shares outstanding at December 31, 2009 and 2008, follows:

	2009	2008
Income earned	\$0.80	\$0.89
Expense allocation	(0.35)	(0.44)
Net investment income	\$0.45	\$0.45
 Net gain/(loss) from investment activities (net of expense allocation)	 3.03	 (8.22)
Distributions paid to shareholders	(1.45)	(1.70)
 Increase (Decrease) in net assets	 \$2.03	 \$(9.47)
 Ratio of expense to Net Assets	 1.24%	 1.70%
 Ratio of net investment income to Net Assets	 1.63%	 1.76%
 Ratio of increase (decrease) in Net Assets to Net Assets	 7.30%	 (36.61)%
 Shares outstanding at December 31	 716,528	 721,084

(G) CONCENTRATION OF CREDIT RISK

The Albany Diocese Investment Trust occasionally maintains deposits in excess of insured limits. FASB Accounting Standards Codification 825 (formerly Statements of Financial Accounting Standards No. 107) identifies these items as a concentration of credit risk requiring disclosure, regardless of degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

**ALBANY DIOCESAN INVESTMENT TRUST
NOTES**

(H) EVENTS OCCURRING AFTER REPORTING DATE

The Organization has evaluated events and transactions that occurred between December 31, 2009 and May 3, 2010, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

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