

**ALBANY DIOCESAN INVESTMENT TRUST  
FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

# ALBANY DIOCESAN INVESTMENT TRUST

## TABLE OF CONTENTS

	<b>PAGE</b>
INDEPENDENT AUDITORS' REPORT	1-2
STATEMENTS OF ASSETS AND LIABILITIES	3
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS	4
NOTES TO THE FINANCIAL STATEMENTS	5-9



**Marvin** and  
company, p.c.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

Kevin J. McCoy, CPA  
Thomas W. Donovan, CPA  
Frank S. Venezia, CPA  
James E. Amell, CPA  
Carol A. Hausamann, CPA  
Benjamin R. Lasher, CPA  
Daniel J. Litz, CPA  
Karl F. Newton, CPA  
Kevin P. O'Leary, CPA  
Timothy A. Reynolds, CPA  
Leo A. Rigby, CPA

To the Trustees  
Albany Diocesan Investment Trust

We have audited the accompanying financial statements of Albany Diocesan Investment Trust (The Trust), which comprise the statements of assets and liabilities as of December 31, 2012 and 2011, and the related statements of operations and changes in net assets, for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

Thomas J. Ross, CPA  
Heather D. Patten, CPA

11 British American Blvd.  
Latham, NY 12110  
Ph: 518-785-0134  
Fx: 518-785-0299

111 Everts Avenue  
Queensbury, NY 12804  
Ph: 518-792-6595  
Fx: 518-792-6635

Email:

webmaster@marvincpa.com

Web:

<http://www.marvincpa.com>



**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Albany Diocesan Investment Trust ("The Trust") as of December 31, 2012 and 2011, and the changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Marvin and Company, P.C.*

April 30, 2013

Queensbury, NY

**ALBANY DIOCESAN INVESTMENT TRUST  
STATEMENTS OF ASSETS AND LIABILITIES  
DECEMBER 31, 2012 AND 2011**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	\$ 55,450	\$ 18,035
Cash - Savings	170,878	29
Diocesan Cash Reserve	341,693	384,225
Investments, at market value (cost \$18,355,286 in 2012; \$18,009,451 in 2011)	17,336,843	17,979,158
Money Market Funds	1,720,212	498,001
Loans Receivable	164,841	193,028
Dividends/Interest Receivable	<u>34,578</u>	<u>48,813</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,824,495</u>	<u>\$ 19,121,289</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Distributions Payable	\$ 193,563	\$ 193,316
Diocesan Reserve Liability	341,693	384,225
Shareholder Deposits	<u>37,429</u>	<u>62,801</u>
<b>TOTAL LIABILITIES</b>	<u>572,685</u>	<u>640,342</u>
<b>NET ASSETS</b>	<u>\$ 19,251,810</u>	<u>\$ 18,480,947</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 19,824,495</u>	<u>\$ 19,121,289</u>
<b>Net Asset Value Per Share</b>	<u>\$ 27.85</u>	<u>\$ 26.77</u>

**ALBANY DIOCESAN INVESTMENT TRUST**  
**STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

INVESTMENT INCOME AND EXPENSES	<u>2012</u>	<u>2011</u>
INCOME EARNED		
Interest	\$ 195,899	\$ 209,694
Dividends	397,176	388,277
	<u>593,075</u>	<u>597,971</u>
 EXPENSES		
Investment management fees	72,267	70,588
Administrative expenses	99,148	81,174
Other Expense	9,838	6
	<u>181,253</u>	<u>151,768</u>
 NET INVESTMENT INCOME	<u>411,822</u>	<u>446,203</u>
 REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS		
Net realized gain (loss)	293,832	286,049
Net unrealized gain (loss)	822,062	(1,246,218)
	<u>1,115,894</u>	<u>(960,169)</u>
 INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>1,527,716</u>	<u>(513,966)</u>
 DISTRIBUTIONS TO SHAREHOLDERS		
Distributions paid	(777,613)	(776,085)
 INCREASE (DECREASE) IN NET ASSETS BEFORE SHARE TRANSACTIONS	<u>750,103</u>	<u>(1,290,051)</u>
 SHARE TRANSACTIONS		
Increase in net assets from sales of shares, including dividend reinvestments	326,883	207,995
Decrease in net assets from redemption on shares	(306,123)	(363,895)
 INCREASE (DECREASE) IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	<u>20,760</u>	<u>(155,900)</u>
 NET INCREASE (DECREASE) IN NET ASSETS	\$ 770,863	\$ (1,445,951)
 NET ASSETS		
Beginning of Year	\$ 18,480,947	\$ 19,926,898
End of Year	<u>\$ 19,251,810</u>	<u>\$ 18,480,947</u>

**ALBANY DIOCESAN INVESTMENT TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Albany Diocesan Investment Trust (The Trust) is presented to assist in understanding the Organization's financial statements. The Albany Diocesan Investment Trust was 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 in additional shares. In 2011, the Trustees increased the distribution to 4% of net asset value. This amounted to quarterly payments of \$0.28 per share; or \$1.12 for the year. The total distribution for 2012 and 2011 amounted to \$1.12 for the year.

***Related Party Transactions***

The Trust is related to Episcopal Diocese of Albany ("The 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 TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***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.

**2. INVESTMENT MANAGEMENT**

The Trustees of the Episcopal Diocese of Albany have fiduciary responsibility to define investment objectives, manage securities, monitor risk and evaluate the performance of the Trust's investments.

At the beginning of 2010, custody and management of the Trust's investment assets was assumed by J.P. Morgan Chase Bank, employing a "risk averse" investment strategy with emphasis on institutional class shares of mutual funds.

The market allocations of the Trust's investments at December 31, 2012 are as follows:

<u>Market Allocation</u>	<u>% of Trust Assets</u>
US Large Cap	23%
US Mid/Small Cap	5%
Foreign Equity	20%
Fixed Income	28%
Structured Equity	14%
Cash Savings	10%
	<u>100%</u>

For investment management purposes, the fixed income allocation of 28% includes Diocesan Development Fund loans receivable totaling \$164,841, or less than 1% of total investments, at December 31, 2012.

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 \$99,148 and \$81,174 for 2012 and 2011, respectively.

**3. DIOCESAN CASH RESERVES**

The Albany Diocesan Investment Trust holds funds for the Episcopal Diocese of Albany. The account is considered unrestricted and the funds are held in an interest bearing savings account. The funds are reflected as "Diocesan Cash Reserve" and "Diocesan Reserve Liability" on the Statements of Assets and Liabilities.



**ALBANY DIOCESAN INVESTMENT TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**4. 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, 2012 and 2011 were as follows:

<u>Number of Shares</u>	<u>2012</u>	<u>2011</u>
Balance at beginning of year	690,413	696,016
Shares issued to shareholders, including reinvestments	11,952	7,291
Shares redeemed from shareholders	<u>(11,067)</u>	<u>(12,894)</u>
<b>Balance at end of the year</b>	<u>691,298</u>	<u>690,413</u>

**5. LOANS RECEIVABLE, RELATED PARTY TRANSACTIONS, CONTINGENCIES**

From time to time, the Trust may purchase certain loans from the Diocesan Development Fund, a fund of the Episcopal Diocese of Albany. These loans are purchased from the Diocese at face value (the unamortized amount of principal), with a guarantee of full recourse, including interest, in the event of a default.

The cumulative amount of loans in the portfolio at any one time is limited to \$500,000. The balance of these loans at December 31, 2012 and 2011 was \$164,841 and \$193,028 respectively. The average rate of interest on these loans approximates 6.5%. The acquisition of these loans, as disclosed herein, may not have been the same had the Trust operated without such related party affiliations.

**6. CONCENTRATION OF CREDIT RISK**

The Trust occasionally maintains deposits in excess of insured limits. FASB Accounting Standards Codification 825, Financial Instruments 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.

**7. NET ASSET VALUE PER SHARE**

In accordance with the Declaration of Trust, the net asset values per share at December 31, 2012 and 2011 were determined as follows:

<u>Net Asset Value</u>	<u>2012</u>	<u>2011</u>
Net Assets	\$19,251,813	\$18,480,947
Shares Outstanding	<u>691,298</u>	<u>690,413</u>
Net Asset Value per share	<u>\$ 27.85</u>	<u>\$ 26.77</u>

**ALBANY DIOCESAN INVESTMENT TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**8. SHARE INFORMATION**

A schedule of per share information, based upon the number of shares outstanding at December 31, 2012 and 2011, follows:

	<u>2012</u>	<u>2011</u>
Income earned	\$ 0.86	\$ 0.87
Expense allocation	<u>(0.26)</u>	<u>(0.22)</u>
Net investment income	\$ 0.60	\$ 0.65
Net gain/(loss) from investment activities (net of expense allocation)	1.62	(1.39)
Distributions paid to shareholders	<u>(1.12)</u>	<u>(1.12)</u>
Increase (Decrease) in net assets	<u>\$ 1.10</u>	<u>\$ 1.86</u>
Ratio of expense to Net Assets	<u>0.94%</u>	<u>0.82%</u>
Ratio of net investment income to Net Assets	<u>2.14%</u>	<u>2.41%</u>
Ratio of increase (decrease) in Net Assets to Net Assets	<u>3.93%</u>	<u>(6.98%)</u>
<b>Shares outstanding at December 31</b>	<u>691,298</u>	<u>690,413</u>

**9. FAIR VALUE MEASUREMENTS**

Effective January 1, 2009, the Trust adopted FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under GAAP. FASB Accounting Standards Codification 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2012 and 2011, are as follows:

**Fair Value Measurements at Reporting Date Using Quoted Prices:**

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
December 31, 2012:				
Marketable Securities	\$17,336,843	\$14,683,843	\$2,653,000	\$0
Money Market Funds	\$1,720,212	\$1,720,212	\$0	\$0

**ALBANY DIOCESAN INVESTMENT TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**9. FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Measurements at Reporting Date Using Quoted Prices:**

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
December 31, 2011:				
Marketable Securities	\$17,979,158	\$15,424,421	\$2,554,737	\$0
Money Market Funds	\$498,001	\$498,001	\$0	\$0

**10. SUBSEQUENT EVENTS**

The Trust has evaluated events and transactions that occurred between December 31, 2012 and April 30, 2013, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.