

**ALBANY DIOCESAN INVESTMENT TRUST
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

ALBANY DIOCESAN INVESTMENT TRUST

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INDEPENDENT AUDITOR'S REPORT

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To the Trustees Albany Diocesan Investment Trust

We have audited the accompanying financial statements of Albany Diocesan Investment Trust, which comprise the statements of assets and liabilities as of December 31, 2013 and 2012, 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 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 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.

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, 2013 and 2012, 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.

Queensbury, NY
May 6, 2014

**ALBANY DIOCESAN INVESTMENT TRUST
STATEMENTS OF ASSETS AND LIABILITIES
DECEMBER 31, 2013 AND 2012**

ASSETS	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 32,863	\$ 55,450
Cash - Savings	247,445	170,878
Diocesan Cash Reserve	382,652	341,693
Investments, at fair value (cost \$17,271,128 in 2013; \$16,635,073 in 2012)	19,077,885	17,336,843
Money Market Funds	1,021,718	1,720,212
Loans Receivable	120,684	164,841
Dividends/Interest Receivable	<u>25,951</u>	<u>34,578</u>
 TOTAL ASSETS	 <u>\$ 20,909,198</u>	 <u>\$ 19,824,495</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Distributions Payable	\$ 191,823	\$ 193,563
Diocesan Reserve Liability	382,652	341,693
Shareholder Deposits	<u>3,845</u>	<u>37,429</u>
 TOTAL LIABILITIES	 <u>578,320</u>	 <u>572,685</u>
 NET ASSETS	 <u>20,330,878</u>	 <u>19,251,810</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 20,909,198</u>	 <u>\$ 19,824,495</u>
 Net Asset Value Per Share	 <u>\$ 29.68</u>	 <u>\$ 27.85</u>

See accompanying notes to financial statements.

ALBANY DIOCESAN INVESTMENT TRUST
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

INVESTMENT INCOME AND EXPENSES	<u>2013</u>	<u>2012</u>
INCOME EARNED		
Interest	\$ 121,545	\$ 195,899
Dividends	420,086	397,176
Other Income	1,220	-
	<u>542,851</u>	<u>593,075</u>
TOTAL INCOME		
	<u>542,851</u>	<u>593,075</u>
EXPENSES		
Investment management fees	67,780	72,267
Administrative expenses	97,025	99,148
Other Expense	3,210	9,838
	<u>168,015</u>	<u>181,253</u>
TOTAL EXPENSES		
	<u>168,015</u>	<u>181,253</u>
NET INVESTMENT INCOME	<u>374,836</u>	<u>411,822</u>
REALIZED AND UNREALIZED GAINS ON INVESTMENTS		
Net realized gain	548,619	293,832
Net unrealized gain	1,104,987	822,062
	<u>1,653,606</u>	<u>1,115,894</u>
TOTAL GAIN ON INVESTMENTS		
	<u>1,653,606</u>	<u>1,115,894</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>2,028,442</u>	<u>1,527,716</u>
DISTRIBUTIONS TO SHAREHOLDERS		
Distributions paid	<u>(769,540)</u>	<u>(777,613)</u>
INCREASE IN NET ASSETS BEFORE SHARE TRANSACTIONS	<u>1,258,902</u>	<u>750,103</u>
SHARE TRANSACTIONS		
Increase in net assets from sales of shares, including dividend reinvestments	238,138	326,883
Decrease in net assets from redemption on shares	<u>(417,972)</u>	<u>(306,123)</u>
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	<u>(179,834)</u>	<u>20,760</u>
NET INCREASE IN NET ASSETS	1,079,068	770,863
NET ASSETS		
Beginning of Year	<u>19,251,810</u>	<u>18,480,947</u>
End of Year	<u>\$ 20,330,878</u>	<u>\$ 19,251,810</u>

See accompanying notes to financial statements.

**ALBANY DIOCESAN INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 Trust'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 the fair value, investments in securities traded on national security exchanges are valued at the last reported sales price on the last day of the month; investments that are traded on public markets, but at times are not actively traded, are valued using prices obtained from a pricing source using primarily matrix pricing, which considers observable and unobservable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, credit information, and the instruments terms and conditions among other things; and money market funds are valued at cost, which approximates fair 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. For 2013 and 2012, 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 each 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, 2013 AND 2012**

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.

Reclassifications

Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year's format.

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.

Custody and management of the Trust's investment assets are overseen by J.P. Morgan Chase Bank, employing a "risk averse" investment strategy with emphasis on institutional class shares of mutual funds.

The investment policy targeted market allocations of the Trust's investments at December 31, 2013 as follows:

Market Allocation	% of Trust Assets
US Large Cap Mutual Funds	20%
US Mid/Small Cap Mutual Funds	6%
Foreign Equity Mutual Funds	26%
Fixed Income Mutual Funds and Bonds	25%
Structured Equity Mutual Funds	17%
Cash Savings	6%
	100%

At December 31, 2013, the investment portfolio was in compliance with the allocation policy noted above.

For investment management purposes, the fixed income allocation of 25% includes Diocesan Development Fund loans receivable totaling \$120,684, or less than 1% of total investments, at December 31, 2013.

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 \$97,025 and \$99,148 for 2013 and 2012, respectively.

**ALBANY DIOCESAN INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

3. DIOCESAN CASH RESERVES

The Albany Diocesan Investment Trust holds funds for the Episcopal Diocese of Albany. 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.

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, 2013 and 2012 were as follows:

Number of Shares	<u>2013</u>	<u>2012</u>
Balance at beginning of year	691,298	690,413
Shares issued to shareholders, including reinvestments	8,362	11,952
Shares redeemed from shareholders	<u>(14,577)</u>	<u>(11,067)</u>
Balance at end of the year	<u>685,083</u>	<u>691,298</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, 2013 and 2012 was \$120,684 and \$164,841 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. 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.

**ALBANY DIOCESAN INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

7. NET ASSET VALUE PER SHARE

In accordance with the Declaration of Trust, the net asset values per share at December 31, 2013 and 2012 were determined as follows:

<u>Net Asset Value</u>	<u>2013</u>	<u>2012</u>
Net Assets	\$20,330,878	\$19,251,813
Shares Outstanding	<u>685,083</u>	<u>691,298</u>
Net Asset Value per share	<u>\$ 29.68</u>	<u>\$ 27.85</u>

8. SHARE INFORMATION

A schedule of per share information, based upon the number of shares outstanding at December 31, 2013 and 2012, follows:

	<u>2013</u>	<u>2012</u>
Income earned	\$ 0.79	\$ 0.86
Expense allocation	<u>(0.24)</u>	<u>(0.26)</u>
Net investment income	\$ 0.55	\$ 0.60
Net gain/(loss) from investment activities (net of expense allocation)	2.41	1.62
Distributions paid to shareholders	<u>(1.12)</u>	<u>(1.12)</u>
Increase in net assets	<u>\$ 1.84%</u>	<u>\$ 1.10</u>
Ratio of expense to Net Assets	<u>0.79%</u>	<u>0.94%</u>
Ratio of net investment income to Net Assets	<u>1.84%</u>	<u>2.14%</u>
Ratio of increase in Net Assets to Net Assets	<u>6.19%</u>	<u>3.93%</u>
Shares outstanding at December 31	<u>685,083</u>	<u>691,298</u>

9. FAIR VALUE MEASUREMENTS

The Trust has adopted Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value. 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.

ALBANY DIOCESAN INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

9. FAIR VALUE MEASUREMENTS

Fair values of assets and liabilities measured on a recurring basis at December 31, 2013 and 2012, 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 (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
December 31, 2013:				
Money Market Funds	\$ 1,021,718	\$ 1,021,718	\$ -	\$ -
US Large Cap Mutual Funds	3,999,459	3,556,199	443,260	-
US Mid Cap Mutual Funds	1,232,319	1,232,319	-	-
EAFE Equity Mutual Funds	3,259,007	2,802,997	456,010	-
Euro Large Cap Mutual Funds	448,500	208,328	240,172	-
Asia ex-Japan Mutual Funds	789,288	789,288	-	-
Emerging Market Mutual Funds	406,818	406,818	-	-
Global Equity Mutual Funds	410,054	410,054	-	-
US Fixed Income Mutual Funds and Bonds	2,330,906	2,330,906	-	-
Foreign Exchange Mutual Funds	199,704	199,704	-	-
Hedge Fund Mutual Funds	2,501,603	2,501,603	-	-
Hard Asset Mutual Funds	826,549	414,409	412,140	-
Government & Corporate Bonds	2,673,678	1,994,323	679,355	-
Total	<u>\$20,099,603</u>	<u>\$ 17,868,666</u>	<u>\$ 2,230,937</u>	<u>\$ -</u>

ALBANY DIOCESAN INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

9. FAIR VALUE MEASUREMENTS

Fair Value Measurements at Reporting Date Using Quoted Prices:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
December 31, 2012:				
Money Market Funds	\$ 1,720,212	\$ 1,720,212	\$ -	\$ -
US Large Cap Mutual Funds	4,567,661	3,847,482	720,179	-
US Mid Cap Mutual Funds	944,851	944,851	-	-
EAFE Equity Mutual Funds	2,154,515	1,726,520	427,995	-
Euro Large Cap Mutual Funds	203,482	-	203,482	-
Asia ex-Japan Mutual Funds	769,605	769,605	-	-
Emerging Market Mutual Funds	388,063	388,063	-	-
Global Equity Mutual Funds	453,871	-	453,871	-
US Fixed Income Mutual Funds and Bonds	2,274,576	2,274,576	-	-
Foreign Exchange Mutual Funds	193,678	193,678	-	-
Hedge Fund Mutual Funds	1,138,515	1,138,515	-	-
Real Estate Mutual Funds	191,166	191,166	-	-
Hard Asset Mutual Funds	910,913	714,221	196,692	-
Government & Corporate Bonds	<u>3,145,947</u>	<u>2,281,429</u>	<u>864,518</u>	<u>-</u>
Total	<u>\$19,057,055</u>	<u>\$ 16,190,318</u>	<u>\$ 2,866,737</u>	<u>\$ -</u>

10. SUBSEQUENT EVENTS

The Trust has evaluated events and transactions that occurred between December 31, 2013 and May 6, 2014, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.