

**ALBANY DIOCESAN INVESTMENT TRUST  
FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

# ALBANY DIOCESAN INVESTMENT TRUST

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## INDEPENDENT AUDITOR'S REPORT

### 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, 2014 and 2013, 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, 2014 and 2013, 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 15, 2015

**ALBANY DIOCESAN INVESTMENT TRUST**  
**STATEMENTS OF ASSETS AND LIABILITIES**  
**DECEMBER 31, 2014 AND 2013**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash	\$ 110,330	\$ 32,863
Cash - Savings	114,018	247,445
Diocesan Cash Reserve	419,236	382,652
Investments, at fair value (cost \$17,790,369 in 2014; \$17,271,128 in 2013)	19,403,223	19,077,885
Money Market Funds	1,442,504	1,021,718
Loans Receivable	78,354	120,684
Dividends/Interest Receivable	28,045	25,951
 TOTAL ASSETS	 \$ 21,595,710	 \$ 20,909,198
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Distributions Payable	\$ 198,053	\$ 191,823
Diocesan Reserve Liability	419,236	382,652
Shareholder Deposits	8,469	3,845
 TOTAL LIABILITIES	 625,758	 578,320
 NET ASSETS	 20,969,952	 20,330,878
 TOTAL LIABILITIES AND NET ASSETS	 \$ 21,595,710	 \$ 20,909,198
 Net Asset Value Per Share	 \$ 29.65	 \$ 29.68

**ALBANY DIOCESAN INVESTMENT TRUST**  
**STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
INVESTMENT INCOME AND EXPENSES		
INCOME EARNED		
Interest	\$ 109,267	\$ 121,545
Dividends	563,614	420,086
Other income	-	1,220
	672,881	542,851
EXPENSES		
Investment management fees	68,272	67,780
Administrative expenses	94,641	97,025
Other expenses	16,154	3,210
	179,067	168,015
NET INVESTMENT INCOME	493,814	374,836
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS		
Net realized gain	455,677	548,619
Net unrealized gain (loss)	(193,902)	1,104,987
	261,775	1,653,606
INCREASE IN NET ASSETS FROM OPERATIONS	755,589	2,028,442
DISTRIBUTIONS TO SHAREHOLDERS		
Distributions paid	(777,151)	(769,540)
INCREASE (DECREASE) IN NET ASSETS BEFORE SHARE TRANSACTIONS	(21,562)	1,258,902
SHARE TRANSACTIONS		
Increase in net assets from sales of shares, including dividend reinvestments	1,131,025	238,138
Decrease in net assets from redemption of shares	(470,389)	(417,972)
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	660,636	(179,834)
NET INCREASE IN NET ASSETS	639,074	1,079,068
NET ASSETS		
Beginning of Year	20,330,878	19,251,810
End of Year	\$ 20,969,952	\$ 20,330,878

See accompanying notes to financial statements.

**ALBANY DIOCESAN INVESTMENT TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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 instrument's terms and conditions among other things; 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 2014 and 2013, the Trustees approved the distribution of 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.

***Income Taxes***

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

**ALBANY DIOCESAN INVESTMENT TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***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.

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, 2014 as follows:

<b>Market Allocation</b>	<b>% of Trust Assets</b>
Global Fixed Income (including US)	30% - 47%
Global Equity Securities (including US)	50% - 67%
Alternative Investments	0% - 15%
Cash Savings	0% - 20%

At December 31, 2014, the investment portfolio was in compliance with the allocation policy noted above.

For investment management purposes, the fixed income allocation includes Diocesan Development Fund loans receivable totaling \$78,354, or less than 1% of total investments, at December 31, 2014.

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 \$94,641 and \$97,025 for 2014 and 2013, respectively.

**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.



**ALBANY DIOCESAN INVESTMENT TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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, 2014 and 2013 were as follows:

<b>Number of Shares</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Balance at beginning of year	\$ 685,083	\$ 691,298
Shares issued to shareholders, including reinvestments	37,923	8,362
Shares redeemed from shareholders	<u>\$ (15,672)</u>	<u>\$ (14,577)</u>
<b>Balance at end of the year</b>	<b><u>\$ 707,334</u></b>	<b><u>\$ 685,083</u></b>

**5. LOANS RECEIVABLE, RELATED PARTY TRANSACTIONS AND 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, 2014 and 2013 was \$78,354 and \$120,684, 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 (ASC) 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, 2014 and 2013 were determined as follows:

<b>Net Asset Value</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Net Assets	\$ 20,969,952	\$ 20,330,878
Shares Outstanding	<u>707,334</u>	<u>685,083</u>
Net Asset Value per share	<u>\$ 29.65</u>	<u>\$ 29.68</u>

**ALBANY DIOCESAN INVESTMENT TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. SHARE INFORMATION**

A schedule of per share information, based upon the number of shares outstanding at December 31, 2014 and 2013, follows:

	<u>2014</u>	<u>2013</u>
Income earned	\$ 0.95	\$ 0.79
Expense allocation	<u>(0.25)</u>	<u>(0.24)</u>
Net investment income	0.70	0.55
Net gain/(loss) from investment activities (net of expense allocation)	0.37	2.41
Distributions paid to shareholders	<u>(1.10)</u>	<u>(1.12)</u>
Increase (decrease) in net assets before share transactions	<u>\$ (0.03)</u>	<u>\$ 1.84</u>
Ratio of expense to Net Assets	<u>0.85%</u>	<u>0.79%</u>
Ratio of net investment income to Net Assets	<u>2.35%</u>	<u>1.84%</u>
Ratio of increase (decrease) in Net Assets to Net Assets	<u>(0.10)%</u>	<u>6.19%</u>
<b>Shares outstanding at December 31</b>	<u>707,334</u>	<u>685,083</u>

**9. FAIR VALUE MEASUREMENTS**

The Trust has adopted Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value. ASC 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**  
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**9. FAIR VALUE MEASUREMENTS**

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for the year ended December 31, 2014 and 2013. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are described as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For purposes of determining the fair value, mutual funds, exchange traded funds, common equities and preferred equities are valued using market prices in active markets; investments in municipal bonds 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.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2014 and 2013, 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, 2014:				
Money Market Funds	\$ 1,442,504	\$ 1,442,504	\$ -	\$ -
US Large Cap Mutual Funds	5,434,032	5,195,178	238,854	-
US Mid Cap Mutual Funds	1,491,808	1,491,808	-	-
EAFE Equity Mutual Funds	3,804,466	3,804,466	-	-
Japan Large Cap Mutual Funds	219,444	219,444	-	-
Asia Ex-Japan Mutual Funds	797,593	797,593	-	-
Global Equity Mutual Funds	804,947	804,947	-	-
US Fixed Income Mutual Funds and Bonds	4,162,975	4,162,975	-	-
Government & Corporate Bonds	2,687,958	1,987,258	700,700	-
<b>Total</b>	<b><u>\$ 20,845,727</u></b>	<b><u>\$ 19,906,173</u></b>	<b><u>\$ 939,554</u></b>	<b><u>\$ -</u></b>

**ALBANY DIOCESAN INVESTMENT TRUST**  
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**9. FAIR VALUE MEASUREMENTS**

**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	-
<b>Total</b>	<b><u>\$ 20,099,603</u></b>	<b><u>\$ 17,868,666</u></b>	<b><u>\$ 2,230,937</u></b>	<b><u>\$ -</u></b>

For the years ended December 31, 2014 and 2013 there were no significant transfers in or out of each level and there were no changes in the methods used to determine the levels.

**10. SUBSEQUENT EVENTS**

The Trust has evaluated events and transactions that occurred between December 31, 2014 and May 15, 2015, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.