

ALBANY DIOCESAN INVESTMENT TRUST
FINANCIAL STATEMENTS
Years Ended December 31, 2010 and 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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.

April 11, 2011


ROSS RIGBY & PATTEN LLP

ALBANY DIOCESAN INVESTMENT TRUST
STATEMENTS OF ASSETS AND LIABILITIES
December 31, 2010 and 2009

ASSETS	2010	2009
CURRENT ASSETS:		
Cash	\$119,422	\$671,139
Cash - Savings	2,392,360	19,318,802
Diocesan Cash Reserve	427,285	381,198
Investments, at market value (cost \$15,926,417 in 2010; \$0 in 2009)	17,052,342	0
Money market funds	227,073	0
Loans receivable	220,971	256,739
Dividends/interest receivable	46,923	1,684
Other receivable	2,588	639
TOTAL CURRENT ASSETS	\$20,488,964	\$20,630,201
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Distributions payable	\$126,153	\$259,741
Diocesan Reserve Liability	427,285	381,198
Shareholder deposits	8,628	6,840
TOTAL CURRENT LIABILITIES	\$562,066	\$647,779
NET ASSETS	\$19,926,898	\$19,982,422
TOTAL LIABILITIES AND NET ASSETS	\$20,488,964	\$20,630,201
Net asset value per share	\$28.63	\$27.89

ALBANY DIOCESAN INVESTMENT TRUST
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
December 31, 2010 and 2009

INVESTMENT INCOME AND EXPENSES	2010	2009
INCOME EARNED:		
Interest	\$196,616	\$317,596
Dividends	169,020	251,825
Other Income	961	3,334
TOTAL INCOME	\$366,597	\$572,755
EXPENSES:		
Investment management fees	\$39,621	\$141,967
Administrative expenses	97,404	97,401
Foreign taxes paid	133	8,050
Other Expense	150	195
TOTAL EXPENSES	\$137,308	\$247,613
NET INVESTMENT INCOME	\$229,289	\$325,142
REALIZED AND UNREALIZED GAINS (LOSSES)		
ON INVESTMENTS:		
Net realized loss	\$(73,586)	\$(213,102)
Net unrealized gain	1,125,925	2,389,367
TOTAL GAIN ON INVESTMENTS	\$1,052,339	\$2,176,265
INCREASE IN NET ASSETS		
FROM OPERATIONS	\$1,281,628	\$2,501,407
DISTRIBUTIONS TO SHAREHOLDERS:		
Distributions paid	\$(773,607)	\$(1,042,308)
INCREASE IN NET ASSETS		
BEFORE SHARE TRANSACTIONS	\$508,021	\$1,459,099
SHARE TRANSACTIONS:		
Increase in net assets from sales of shares, including dividend reinvestments	\$168,793	\$197,374
Decrease in net assets from redemption of shares	(732,338)	(320,197)
DECREASE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	\$(563,545)	\$(122,823)
NET INCREASE (DECREASE) IN NET ASSETS	\$(55,524)	\$1,336,276
NET ASSETS:		
Beginning of year	19,982,422	18,646,146
End of year	\$19,926,898	\$19,982,422

ALBANY DIOCESAN INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

(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 in additional shares. In the latter half of 2010, the Trustees reduced distributions by 50% to maintain stable net asset value appreciation in the wake of an ongoing economic recession. The 2010 shareholder distribution amounted to quarterly payments of \$0.3625 per share for Quarters 1 and 2, and \$0.1812 for Quarters 3 and 4; or, \$1.09 annually. The 2009 shareholder distribution amounted to quarterly payments of \$0.3625 per share; or, \$1.45 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 have fiduciary responsibility to define investment objectives, manage securities, monitor risk and evaluate the performance of the Trust's investments.

Through October 31, 2009, Merrill Lynch was sole custodian for all Trust securities, with management allocated among several specialty firms. At the beginning of 2010, custody and management of the Trust's investment assets was assumed by J.P. Morgan Chase Bank, employing a more "risk averse" investment strategy with emphasis on institutional class shares of mutual funds. As a result of the custodial transition, 99% of the Trust's investment assets at December 31, 2009 were in the form of cash.

The market allocations of the Trust's investments at December 31, 2010 are as follows:

<u>Market Allocation</u>	<u>% of Trust Assets</u>
US Large Cap	16%
US Mid/Small Cap	9%
Foreign Equity	10%
Fixed Income	38%
Structured Equity	14%
Cash Savings	<u>13%</u>
	<u>100%</u>

For investment management purposes, the fixed income allocation of 38% includes Diocesan Development Fund loans receivable at October 31, 2010.

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 \$97,404 and \$97,401 for 2010 and 2009, respectively.

ALBANY DIOCESAN INVESTMENT TRUST
NOTES

(C) 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. The funds are reflected as "Diocesan Cash Reserve" and "Diocesan Reserve Liability" on the Statements of Financial Position.

(D) 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, 2010 and 2009 were as follows:

Number of Shares	2010	2009
Balance at beginning of the year	716,528	721,084
Shares issued to shareholder, including reinvestments	6,155	7,653
Shares redeemed from shareholders	<u>(26,667)</u>	<u>(12,209)</u>
Balance at end of the year	<u>696,016</u>	<u>716,528</u>

(E) LOANS RECEIVABLE, RELATED PARTY TRANSACTIONS, CONTINGENCIES

From time to time, the Trust may purchase certain loans from the Diocesan Development Fund, a component 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, 2010 and 2009 was \$220,971 and \$256,739, 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 transactions.

(F) 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.

**ALBANY DIOCESAN INVESTMENT TRUST
NOTES**

(G) NET ASSET VALUE PER SHARE

In accordance with the Declaration of Trust, the net asset values per share at December 31, 2010 and 2009 were determined as follows:

Net Asset Value	2010	2009
Net assets	\$19,926,898	\$19,982,422
Shares outstanding	696,016	716,528
Net asset value per share	\$28.63	\$27.89

(H) SHARE INFORMATION

A schedule of per share information, based upon the number of shares outstanding at December 31, 2010 and 2009, follows:

	2010	2009
Income earned	\$0.53	\$0.80
Expense allocation	(0.20)	(0.35)
Net investment income	\$0.33	\$0.45
 Net gain/(loss) from investment activities (net of expense allocation)	 1.51	 3.03
Distributions paid to shareholders	(1.11)	(1.45)
 Increase (Decrease) in net assets	 \$0.73	 \$2.03
 Ratio of expense to Net Assets	 0.69%	 1.24%
Ratio of net investment income to Net Assets	1.15%	1.63%
Ratio of increase (decrease) in Net Assets to Net Assets	 2.55%	 7.30%
 Shares outstanding at December 31	 696,016	 716,528

(I) 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.

**ALBANY DIOCESAN INVESTMENT TRUST
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(I) FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2010 and 2009, are as follows:

Fair Value Measurements at Reporting Date Using Quoted Prices

	Fair Value	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)
December 31, 2010:		
Trading securities	\$17,052,342	\$17,052,342
Money Market Funds	227,073	227,073
December 31, 2009		
Trading securities	\$0	\$0
Money Market Funds	0	0

(J) RECLASSIFICATION OF PRIOR YEAR'S FINANCIAL STATEMENTS

The prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications have no effect on previously reported change in net assets or net asset balances.

(K) EVENTS OCCURRING AFTER REPORTING DATE

The Trust has evaluated events and transactions that occurred between December 31, 2010 and April 11, 2011, 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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