

**ALBANY DIOCESAN INVESTMENT TRUST
FINANCIAL STATEMENTS
DECEMBER 31, 2018**



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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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, 2018 and 2017, 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, 2018 and 2017, 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 8, 2019

ALBANY DIOCESAN INVESTMENT TRUST
STATEMENTS OF ASSETS AND LIABILITIES
DECEMBER 31, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 85,064	\$ 198,646
Cash - savings	96,583	95,592
Investments, at fair value (cost \$17,706,296 in 2018; \$18,432,104 in 2017)	19,758,542	21,287,606
Money market funds	1,477,628	692,999
Loans receivable	-	32,493
Dividends/Interest receivable	46,304	37,481
TOTAL ASSETS	<u><u>\$ 21,464,121</u></u>	<u><u>\$ 22,344,817</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Distributions payable	\$ 204,078	\$ 204,127
Administrative fees payable	8,262	18,326
Due to Episcopal Diocese of Albany	943	-
Shareholder deposits	134,428	119,378
TOTAL LIABILITIES	<u>347,711</u>	<u>341,831</u>
NET ASSETS	<u>21,116,410</u>	<u>22,002,986</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 21,464,121</u></u>	<u><u>\$ 22,344,817</u></u>
Net Asset Value Per Share	<u><u>\$ 30.35</u></u>	<u><u>\$ 31.31</u></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, 2018 AND 2017

INVESTMENT INCOME AND EXPENSES	<u>2018</u>	<u>2017</u>
INCOME EARNED		
Interest	\$ 192,051	\$ 130,283
Dividends	254,496	341,320
	<hr/>	<hr/>
TOTAL INCOME	446,547	471,603
	<hr/>	<hr/>
EXPENSES		
Investment management fees	146,535	140,628
Administrative expenses	113,197	109,956
Foreign taxes paid	-	475
Other expenses	66,918	80,969
	<hr/>	<hr/>
TOTAL EXPENSES	326,650	332,028
	<hr/>	<hr/>
NET INVESTMENT INCOME	119,897	139,575
	<hr/>	<hr/>
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS		
Net realized gain	935,114	734,819
Net unrealized gain (loss)	(803,219)	973,248
	<hr/>	<hr/>
TOTAL GAIN ON INVESTMENTS	131,895	1,708,067
	<hr/>	<hr/>
INCREASE IN NET ASSETS FROM OPERATIONS	251,792	1,847,642
	<hr/>	<hr/>
DISTRIBUTIONS TO SHAREHOLDERS		
Distributions paid	(815,547)	(812,638)
	<hr/>	<hr/>
INCREASE (DECREASE) IN NET ASSETS BEFORE SHARE TRANSACTIONS	(563,755)	1,035,004
	<hr/>	<hr/>
SHARE TRANSACTIONS		
Increase in net assets from sales of shares, including dividend reinvestments	651,010	537,111
Decrease in net assets from redemption of shares	(973,831)	(336,879)
	<hr/>	<hr/>
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(322,821)	200,232
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN NET ASSETS	(886,576)	1,235,236
	<hr/>	<hr/>
NET ASSETS		
Beginning of Year	22,002,986	20,767,750
	<hr/>	<hr/>
End of Year	<u>\$ 21,116,410</u>	<u>\$ 22,002,986</u>

See accompanying notes to financial statements.

**ALBANY DIOCESAN INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

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. Shareholder distributions are calculated based on a 4% of net average October 31st market value per share for the prior three years. The quarterly shareholder distribution payments in 2018 and 2017 were \$0.2933 and \$0.2905 per share, respectively; or \$1.1733 and \$1.1621, respectively 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, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles 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.

The investment policy targeted market allocations of the Trust's investments at December 31, 2018, is as follows:

Market Allocation	% of Trust Assets
Global Fixed Income (including US)	10% - 40%
Global Equity Securities (including US)	60% - 90%
Cash Savings	0% - 20%

At December 31, 2018, 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 less than 1% of total investments. These loans were paid off in 2018.

Administrative services for the Trust are provided by the Diocese. The total annual costs for these services were \$113,197 and \$109,956 for 2018 and 2017, respectively.

3. 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, 2018 and 2017, were as follows:

Number of Shares	<u>2018</u>	<u>2017</u>
Balance at beginning of year	702,675	696,163
Shares issued to shareholders, including reinvestments	25,981	17,954
Shares redeemed from shareholders	<u>(32,857)</u>	<u>(11,442)</u>
Balance at end of the year	<u>695,799</u>	<u>702,675</u>

**ALBANY DIOCESAN INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

4. 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 the outstanding loan at December 31, 2018 and 2017, was \$-0- and \$32,493, respectively. The interest rate on this loan was 5.5%. The acquisition of these loans, as disclosed herein, may not have been the same had the Trust operated without such related party affiliations.

5. 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.

6. NET ASSET VALUE PER SHARE

In accordance with the Declaration of Trust, the net asset values per share at December 31, 2018 and 2017, were determined as follows:

Net Asset Value	<u>2018</u>	<u>2017</u>
Net Assets	\$ 21,116,410	\$ 22,002,986
Shares Outstanding	<u>695,799</u>	<u>702,675</u>
Net Asset Value per share	<u>\$ 30.35</u>	<u>\$ 31.31</u>

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

A schedule of per share information, based upon the number of shares outstanding at December 31, 2018 and 2017, follows:

	<u>2018</u>	<u>2017</u>
Income earned	\$ 0.64	\$ 0.67
Expense allocation	<u>(0.47)</u>	<u>(0.47)</u>
Net investment income	0.17	0.20
Net gain/(loss) from investment activities (net of expense allocation)	0.19	2.43
Distributions paid to shareholders	<u>(1.17)</u>	<u>(1.16)</u>
Increase (decrease) in net assets before share transactions	<u>\$ (0.81)</u>	<u>\$ 1.47</u>
Ratio of expense to Net Assets	<u>1.55%</u>	<u>1.51%</u>
Ratio of net investment income to Net Assets	<u>0.57%</u>	<u>.63%</u>
Ratio of increase (decrease) in Net Assets to Net Assets per Share	<u>(2.64%)</u>	<u>4.70%</u>
Shares outstanding at December 31	<u>695,799</u>	<u>702,675</u>

8. 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.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. 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.

**ALBANY DIOCESAN INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
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8. FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for the years ended December 31, 2018 and 2017.

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, 2018 and 2017, 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, 2018:				
Money Market Funds	\$ 1,477,628	\$ 1,477,628	\$ -	\$ -
Domestic Equities	12,730,460	12,730,460	-	-
Foreign Equities	1,204,094	1,204,094	-	-
Government & Corporate Bonds	5,823,988	357,180	5,466,808	-
Total	<u>\$ 21,236,170</u>	<u>\$ 15,769,362</u>	<u>\$ 5,466,808</u>	<u>\$ -</u>

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, 2017:				
Money Market Funds	\$ 692,999	\$ 692,999	\$ -	\$ -
Exchange Traded Funds	1,680,417	1,680,417	-	-
Bond Funds	1,761,561	1,761,561	-	-
Domestic Equities	12,765,052	12,765,052	-	-
Foreign Equities	1,283,606	1,283,606	-	-
Government & Corporate Bonds	3,796,970	597,176	3,199,794	-
Total	<u>\$ 21,980,605</u>	<u>\$ 18,780,811</u>	<u>\$ 3,199,794</u>	<u>\$ -</u>

For the years ended December 31, 2018 and 2017, there were no transfers in or out of each level and there were no changes in the methods used to determine the levels.

**ALBANY DIOCESAN INVESTMENT TRUST
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9. RISKS AND UNCERTAINTIES

The Trust invests primarily in equity and debt securities which are exposed to various risks, such as interest rate risk, financial market risk and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

10. SUBSEQUENT EVENTS

The Trust has evaluated events and transactions that occurred between December 31, 2018 and May 8, 2019 which is the date the financial statements were available to be issued, for possible recording or disclosure in the financial statements.

