

**Diocesan Investment Trust
of the Diocese of New York**

Financial Statements

December 31, 2009



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

**Trustees of the Estate and Property
of the Diocesan Convention of New York
as Trustees for the Diocesan Investment Trust
of the Diocese of New York**

We have audited the accompanying statement of assets and liabilities of the Diocesan Investment Trust of the Diocese of New York (the "Trust"), consisting of the DIT Fund (formerly the Diversified Equity Fund), the schedule of investments as of December 31, 2009, the related statement of operations, changes in net assets and cash flows for the period May 1, 2009 to December 31, 2009. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit of the Trust.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 the Diocesan Investment Trust of the Diocese of New York as of December 31, 2009, the results of its operations, changes in its net assets and its cash flows for the period May 1, 2009 to December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 as of April 30, 2009, the DIT Fund received share subscriptions in a one for one exchange for shares in the former Diversified Equity Fund and cash subscriptions from the liquidation of the Large Cap Equity Fund and Income Fund, which were then terminated. The investment guidelines for the DIT Fund have been established to reflect the broad investment allocation opportunities of the Commonfund for Non-profit Organizations and its Affiliated Subsidiaries.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
April 23, 2010

**Diocesan Investment Trust
of the Diocese of New York**

Statements of Assets and Liabilities

December 31, 2009

ASSETS

Investments, at fair value	\$ 62,432,564
Cash on deposit with custodian	65
Receivable for subscriptions	383,987
Dividends and accrued interest receivable	2,148
Receivable from brokers and custodian	<u>3,101,267</u>
 Total Assets	 <u>\$ 65,920,031</u>

LIABILITES

Accrued liabilities	48,545
Payable to brokers and custodian	3,092,746
Payable for redemptions	207,013
Dividend distributions payable to shareholders	<u>592,774</u>
 Total Liabilities	 <u>3,941,078</u>

NET ASSETS

\$ 61,978,953

**Diocesan Investment Trust
of the Diocese of New York**

Schedule of Investments

December 31, 2009

Shares	Description	Percent of Net Assets	Value
<i>Mutual Funds</i>			
Equity Funds			
3,187,910	Commonfund Multi-Strategy Equity Investors, LLC		\$ 27,033,473
193,985	Commonfund Institutional All Cap Equity Fund, LLC		2,531,508
120,593	Commonfund Institutional Small Cap Equity Fund, LLC		1,239,700
232,278	Commonfund Institutional International Equity Fund, LLC		2,710,685
107,723	Commonfund Emerging Markets Investors Company Class B		<u>2,182,459</u>
	Total Equity Funds (cost \$28,478,025)	58%	<u>35,697,825</u>
Fixed Income Funds			
2,773,233	State Street Institutional Investment Trust		2,773,233
1,655,818	Commonfund Multi-Strategy Bond Investors, LLC		16,144,228
100,997	Commonfund Institutional Real Return Bond Fund, Ltd.		<u>1,074,609</u>
	Total Fixed Income Funds (cost \$18,565,810)	32%	<u>19,992,070</u>
Alternative Investment Funds			
49,621	Commonfund Strategic Solutions Diversifying Company		531,940
285,513	Commonfund Strategic Solutions Global Hedged Equity Company		3,060,700
322,625	Commonfund Institutional Multi-Strategy Commodities Fund, Ltd.		<u>3,052,029</u>
	Total Alternative Investment Funds (cost \$6,033,156)	11%	<u>6,644,669</u>
	Total Mutual Funds (cost \$53,076,991)		<u>62,334,564</u>
	Sub-total	101%	<u>62,334,564</u>
<i>Temporary Investments</i>			
	Fiduciary Trust Company International Short Term Investment Pool U.S. Treasury (cost \$98,000)		<u>98,000</u>
	Total Temporary Investments (cost \$98,000)	0%	<u>98,000</u>
	Total Investments (cost \$53,174,991)	101%	62,432,564
	Other Assets and Liabilities, Net	-1%	<u>(453,611)</u>
	Net Assets		<u>\$ 61,978,953</u>

See independent auditors' report

**Diocesan Investment Trust
of the Diocese of New York**

Statements of Operations

For the period from May 1, 2009 to December 31, 2009

INVESTMENT INCOME

Interest and dividends \$ 1,065,128

EXPENSES

Advisory fees 75,488

Administrative fees 72,214

Custodian and dividend-disbursing-agent fees 4,155

Professional fees 25,400

Total Expenses 177,257

Net Investment Income 887,871

**NET REALIZED AND
UNREALIZED GAINS (LOSS) ON INVESTMENTS**

Net realized gains from security transactions
(excluding short-term securities)

Proceeds from sales 15,095,877

Cost of securities sold 13,541,346

Net Realized Gains on Investments 1,554,531

Unrealized Appreciation
of Investments 9,257,573

Net Realized and Unrealized Gains
on Investments 10,812,104

Net Increase in Net Assets
Resulting from Operations \$ 11,699,975

See notes to financial statements

**Diocesan Investment Trust
of the Diocese of New York**

Statements of Changes in Net Assets

For the period from May 1, 2009 to December 31, 2009

FROM OPERATIONS

Net investment income	\$ 887,871
Net realized gains on investments	1,554,531
Unrealized appreciation of investments	<u>9,257,573</u>
Net Increase in Net Assets Resulting from Operations	11,699,975
Dividend distributions to shareholders	<u>(1,716,493)</u>
Net Change in Net Assets Derived from Operations and Dividend Distributions to Shareholders	<u>9,983,482</u>

**FROM TRANSACTIONS IN
SHARES OF BENEFICIAL INTEREST**

Proceeds received from subscriptions to shares of beneficial interest	4,599,373
Amounts paid on redemption of shares of beneficial interest	<u>(1,296,717)</u>
Change in Net Assets Derived From Transactions in Shares of Beneficial Interest	<u>3,302,656</u>
Net Change in Net Assets	13,286,138

NET ASSETS

Beginning of year	<u>48,692,815</u>
End of year	<u><u>\$ 61,978,953</u></u>

**Diocesan Investment Trust
of the Diocese of New York**

Statements of Cash Flows

For the period from May 1, 2009 to December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Net increase in net assets resulting from operations	\$ 11,699,975
Adjustments to reconcile net increase in net assets resulting from operations to net cash from operating activities	
Purchase of investments	(66,716,336)
Sale of investments	15,095,877
Net change in unrealized appreciation of investments	(9,257,573)
Net realized gain on investments	(1,554,531)
Change in Operating Assets and Liabilities	
Receivable for subscriptions	(383,988)
Dividends and accrued interest receivable	22,287
Receivable from brokers and custodian	(3,101,267)
Accrued liabilities	24,337
Payable to brokers and custodian	3,092,746
Payable for redemptions	194,174
Dividend distributions payable to shareholders	<u>592,774</u>
Net Cash from Operating Activities	(50,291,525)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds received from subscriptions to shares of beneficial interest	4,599,373
Amounts paid on redemption of shares of beneficial interest	(1,296,717)
Dividend distributions to shareholders	<u>(1,716,493)</u>
Net Cash from Financing Activities	1,586,163

Net Change in Cash and Cash Equivalents (48,705,362)

CASH AND CASH EQUIVALENTS

Beginning of period	<u>48,705,427</u>
End of period	<u>\$ 65</u>

See notes to financial statements

**Diocesan Investment Trust
of the Diocese of New York**

Notes to Financial Statements

1. Organization

The Trustees of the Estate and Property of the Diocesan Convention of New York, (the "TEP") is a corporation established in 1877 by distinguished Episcopal laymen, at the direction of the Diocesan Convention, to receive and hold property for churches, institutions, and endowments of the Diocese. The TEP established the Diocesan Investment Trust of the Diocese of New York (the "Trust").

As of April 30, 2009, the Income Fund and the Large Cap Equity Fund were terminated, and the investment guidelines for the Diversified Equity Fund were revised to reflect the broader investment allocation opportunities of The Common Fund for Nonprofit Organizations and its Affiliated Subsidiaries. This fund was renamed the Diocesan Investment Trust of the Diocese of New York ("DIT Fund"). The consolidation to one fund accomplished: i) reduced administration complexities, ii) reduced complexity and costs associated with rebalancing and asset allocation adjustments, and iii) greater asset allocation flexibility.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying statements have been prepared in accordance with the accrual basis of accounting. Accordingly, revenue is recognized when earned and expense when incurred. The statements include assets and liabilities, operations, and changes in net assets of the DIT Fund. The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value Measurements

The Trust follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

**Diocesan Investment Trust
of the Diocese of New York**

Notes to Financial Statements

2. Summary of Significant Accounting Policies (*continued*)

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value (“NAV”) as reported by the management of the respective alternative investment funds. FASB guidance provides for the use of NAV as a “*Practical Expedient*” for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Trust’s interest therein and their classification within Level 2 or 3 is based on the Trust’s ability to redeem its interest in the near term.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of income.

Cash and Cash Equivalents

The Trust considers all highly liquid financial instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Distributions to Shareholders

Shareholders receive quarterly distributions of earnings, based on a formula under trust law that allocates a portion of the DIT Fund's expenses against investment income and a portion against each Fund's investment capital.

**Diocesan Investment Trust
of the Diocese of New York**

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Accounting for Uncertainty in Income Taxes

The Trust recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Trust had no uncertain tax positions that would require financial statement recognition.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 23, 2010.

3. Investment Activity

Purchases and sales of individual investments by the DIT Fund, other than short-term investments and gross unrealized gains and losses for the years ended December 31, consists of the following:

Purchases	\$ 66,716,336
Sales	15,095,877
Unrealized Gains	9,257,573
Unrealized Losses	-

4. Investment Risks and Uncertainties

Alternative Investment Funds consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stocks or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

**Diocesan Investment Trust
of the Diocese of New York**

Notes to Financial Statements

4. Investment Risks and Uncertainties (continued)

Investments are carried at fair value. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

At December 31, 2009, two individual investments represented 26% and 43% of total investments.

5. Fair Value of Investments

The following are major categories of investments measured at fair value on a recurring basis at December 31, grouped by the fair value hierarchy:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Equity Funds	\$ -	\$ 8,664,353	\$ 27,033,473	\$ 35,697,826
Fixed Income Funds	98,000	19,992,069	-	20,090,069
Alternative Investment Funds	-	3,052,029	3,592,640	6,644,669
	<u>\$ 98,000</u>	<u>\$ 31,708,451</u>	<u>\$ 30,626,113</u>	<u>\$ 62,432,564</u>

The following is a reconciliation of the beginning and ending balances for investments measured at fair value using significant unobservable inputs (Level 3) during the period ended December 31:

Beginning balance	\$ -
Total Realized Gains/Losses	
Included in changes in net assets	510,235
Unrealized gains relating to instruments	
still held at the reporting date included in earnings	5,730,064
Purchases, issuances and settlements, net	<u>24,385,814</u>
Ending balance	<u>\$ 30,626,113</u>

**Diocesan Investment Trust
of the Diocese of New York**

Notes to Financial Statements

5. Fair Value of Investments (continued)

Information regarding Level 3 investments at December 31, 2009 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Funds (a)	\$ 27,033,473	-	Monthly	5 days
Alternative Investment Funds (b)	3,592,640	-	Quarterly	95 days

a. This category includes investments in funds that invest both long and short primarily in U.S. common stocks, partnerships and other Commonfund managed funds. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

b. This category includes investments in funds that invest both long and short primarily in global markets including but not limited to equity, commodities, currencies and fixed income. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

6. Advisory Fees

The Commonfund for Nonprofit Organizations and its Affiliated Subsidiaries (the “Commonfund”) provide investment management and advisory services for the Trust using their Strategic Solutions program. The Commonfund charges administrative and management advisory fees to individual mutual funds held by the Trust at the fund level and includes these costs in the computation of net asset value. Certain other Commonfund funds charge management advisory fees to the Trust directly by redeeming shares or interests in the respective Commonfund fund for the applicable month or quarter-end period. These direct charges are recorded as advisory fees and exclude administrative and management advisory fees computed as part of the net asset value of Commonfund mutual funds.

7. Dividend Distributions Payable to Shareholders

The Trust declared as of December 10, a dividend per share of \$1.160. The dividends were paid on January 15, 2010, to shareholders of record on December 10, 2008.

**Diocesan Investment Trust
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Notes to Financial Statements

8. Capital Share Transactions and Undistributed Net Beneficial Interest

Each investor owns a beneficial interest in the DIT Fund as represented by shares of equal interest in the DIT Fund, each representing an undivided proportionate interest in all of the assets and liabilities of the DIT Fund. Transactions in shares of beneficial interest were as follows for the Trust:

Shares of beneficial interest, Beginning May 1,	480,947.432
Shares subscribed	42,920.058
Shares redeemed	<u>(11,306.368)</u>
Shares of beneficial interest, Ending December 31,	<u>512,561.122</u>

9. Related Party Transactions

The TEP invests in the funds of the Trust directly, and through the Parish Endowment Management Service (PEMS) program. PEMS allows the TEP to retain, invest, reinvest and disburse the endowment funds for each church under investment management contracts. Each PEMS unit issued to a parish represents a percentage beneficial ownership interest in the DIT Fund. Other parishes also invest directly in the funds of the Trust.

	<u>Shares Owned</u>	<u>Cost of Shares</u>	<u>Market Value of Shares</u>
TEP	218,459.048	\$ 17,305,523	\$ 26,416,095
PEMS	79,988.773	9,943,382	9,672,252
Other Parishes	<u>214,113.301</u>	<u>23,744,733</u>	<u>25,890,606</u>
Total	<u>512,561.122</u>	<u>\$ 50,993,638</u>	<u>\$ 61,978,953</u>

10. Financial Highlights

The following table includes selected data for a share of beneficial interest outstanding throughout the period:

	<u>2009</u>
Net asset value, Beginning of year	\$ 101.244
Income from investment operations:	
Net investment income	1.744
Net realized and unrealized gain on investments	<u>21.292</u>
Total from Investment Operations	124.280
Less distributions to shareholders	<u>(3.360)</u>
Net Asset Value, End of year	<u>\$ 120.920</u>
 Total Return	 <u>22.97%</u>
 Ratios and Supplemental Data:	
Net assets, End of year (\$ thousands)	<u>\$ 61,979</u>
Ratio of expenses to average net assets:	
Investment advisory fees	0.175%
Other administrative costs	<u>0.236%</u>
 Total Expense Ratio	 <u>0.411%</u>
 Ratio of net investment income to average net assets	 <u>2.057%</u>
 Number of shares outstanding at End of year (000's omitted)	 <u>513</u>