

DIOCESAN INVESTMENT TRUST OF THE DIOCESE OF NEW JERSEY
Financial Statements
December 31, 2017 and 2016
With Independent Auditors' Report

**Diocesan Investment Trust of the Diocese of New Jersey
December 31, 2017 and 2016**

TABLE OF CONTENTS	
Independent Auditors' Report	1
Financial Statements	
Statements of Assets and Liabilities	2
Condensed Schedules of Investments	3-4
Statements of Operations	5
Statements of Changes in Net Assets	6
Notes to Financial Statements	7-13

INDEPENDENT AUDITORS' REPORT

To the Trustees and Officers,
Diocesan Investment Trust of the
Diocese of New Jersey

We have audited the accompanying financial statements of Diocesan Investment Trust of the Diocese of New Jersey, which comprise the statements of assets and liabilities, including the condensed schedules of investments as of December 31, 2017 and 2016, 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.

Auditors' 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 audits 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 auditors' 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 statements of assets and liabilities of Diocesan Investment Trust of the Diocese of New Jersey as of December 31, 2017 and 2016, and the results of its operations and changes in net assets for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



August 7, 2018

Diocesan Investment Trust of the Diocese of New Jersey
Statements of Assets and Liabilities
December 31, 2017 and 2016

	2017	2016
Assets		
Investment in securities, at fair value (cost \$36,128,738 and \$36,622,969 in 2017 and 2016, respectively)	\$ 46,966,923	\$ 42,856,338
Interest and dividends receivable	<u>45,095</u>	<u>38,879</u>
	<u>\$ 47,012,018</u>	<u>\$ 42,895,217</u>
Liabilities and Net Assets		
Liabilities		
Dividend distributions payable	\$ 80,838	\$ 82,092
Investment securities purchased	--	39,088
Investment advisory fee payable	78,914	76,500
Accrued expenses	<u>59,600</u>	<u>41,006</u>
Total liabilities	219,352	238,686
Net assets (856,916.37 shares and 889,870.53 shares of beneficial interest issued in 2017 and 2016, respectively)	<u>46,792,666</u>	<u>42,656,531</u>
	<u>\$ 47,012,018</u>	<u>\$ 42,895,217</u>

The Notes to Financial Statements are an integral part of these statements.

Diocesan Investment Trust of the Diocese of New Jersey
Condensed Schedule of Investments
December 31, 2017

Investments in securities, at fair value:	<u>Number of Shares</u>	<u>Fair Value</u>	<u>Percentage of Net Assets</u>
Common Stock			
Consumer Discretionary		\$ 2,809,324	6.00 %
Consumer Staples		2,867,678	6.13
Energy		2,335,401	4.99
Financials		4,156,558	8.88
Healthcare		3,421,860	7.31
Industrials		2,831,872	6.05
Information Technology		7,726,466	16.51
Media and Entertainment		418,900	0.90
Utilities		752,468	1.61
Common Stock Total (cost \$18,462,734)		<u>27,320,527</u>	<u>58.38</u>
Bonds			
Corporate bonds		2,903,698	6.20
Municipal Bonds		725,053	1.54
Bonds Total (cost \$3,486,643)		<u>3,628,751</u>	<u>7.74</u>
Mutual Funds			
Equity Markets			
Conestoga Small Cap Fund	137,189	6,715,391	14.36
Harbor International Fund	71,706	4,841,618	10.35
Other		3,968,862	8.49
Mutual Funds Total (cost \$13,984,778)		<u>15,525,871</u>	<u>33.20</u>
REIT			
Financials		491,774	1.05
REIT Total (cost \$194,583)		<u>491,774</u>	<u>1.05</u>
Total investments in securities, at fair value (cost \$36,128,738)		<u>\$ 46,966,923</u>	<u>100.37 %</u>

Diocesan Investment Trust of the Diocese of New Jersey
Condensed Schedule of Investments
December 31, 2016

Investments in securities, at fair value:	<u>Number of Shares</u>	<u>Fair Value</u>	<u>Percentage of Net Assets</u>
Common Stock			
Consumer Discretionary		\$ 3,012,252	7.06 %
Consumer Staples		2,662,706	6.24
Energy		1,677,565	3.93
Financials		3,562,212	8.35
Healthcare		3,166,375	7.42
Industrials		2,271,504	5.33
Information Technology		5,449,943	12.78
Materials		326,263	0.76
Utilities		<u>1,556,960</u>	<u>3.65</u>
Common Stock Total (cost \$18,375,852)		23,685,780	55.52
Bonds			
Corporate bonds		2,927,233	6.86
Municipal Bonds		<u>585,510</u>	<u>1.37</u>
Bonds Total (cost \$3,303,612)		3,512,743	8.23
Mutual Funds			
Equity Markets			
Conestoga Small Cap Fund	179,348	7,225,948	16.94
Harbor International Fund	67,448	3,939,623	9.24
Other		<u>3,602,574</u>	<u>8.45</u>
Mutual Funds Total (cost \$14,602,295)		14,768,145	34.63
REIT			
Financials		<u>860,749</u>	<u>2.02</u>
REIT Total (cost \$330,979)		860,749	2.02
ETF			
Financials		<u>10,343</u>	<u>0.02</u>
ETF Total (cost \$10,231)		10,343	0.02
Private Investment Company			
Unit Investment Trust		<u>18,578</u>	<u>0.04</u>
Private Investment Company Total (cost \$-0-)		<u>18,578</u>	<u>0.04</u>
Total investments in securities, at fair value (cost \$36,622,969)		<u>\$ 42,856,338</u>	<u>100.46 %</u>

The Notes to Financial Statements are an integral part of these statements.

Diocesan Investment Trust of the Diocese of New Jersey
Statements of Operations
For the Years Ended December 31, 2017 and 2016

	2017	2016
Investment income		
Dividends and interest	\$ 739,844	\$ 870,051
Other loss	(19,441)	(19,553)
	<u>720,403</u>	<u>850,498</u>
Expenses		
Investment advisory fees	333,564	308,876
Administrative expenses	192,619	212,040
	<u>526,183</u>	<u>520,916</u>
Net investment income	194,220	329,582
Net realized and unrealized gains on investments		
Unrealized gains on investments		
Beginning of year	6,233,369	3,812,882
End of year	10,838,185	6,233,369
Net unrealized gains	<u>4,604,816</u>	<u>2,420,487</u>
Realized gains on investments		
Proceeds from securities sold	10,992,204	13,043,072
Cost of securities sold	8,070,399	12,965,905
Net realized gains	<u>2,921,805</u>	<u>77,167</u>
Net realized and unrealized gains on investments	<u>7,526,621</u>	<u>2,497,654</u>
Increase in net assets resulting from operations	<u>\$ 7,720,841</u>	<u>\$ 2,827,236</u>

The Notes to Financial Statements are an integral part of these statements.

Diocesan Investment Trust of the Diocese of New Jersey
Statements of Changes in Net Assets
For the Years Ended December 31, 2017 and 2016

	2017	2016
Increase in assets from operations		
Net investment income	\$ 194,220	\$ 329,582
Net realized and unrealized gains on investments	7,526,621	2,497,654
Increase in net assets resulting from operations	<u>7,720,841</u>	<u>2,827,236</u>
Participants' contributions to the Trust (44,693.41 shares and 54,788.59 shares in 2017 and 2016, respectively)	2,229,815	2,614,560
Participants' withdrawals from the Trust (78,753.04 shares and 59,628.64 shares in 2017 and 2016, respectively)	(4,065,175)	(2,750,421)
Dividends declared	<u>(1,749,346)</u>	<u>(1,754,604)</u>
Increase in net assets	4,136,135	936,771
Net assets, beginning of year	<u>42,656,531</u>	<u>41,719,760</u>
Net assets, end of year	<u>\$ 46,792,666</u>	<u>\$ 42,656,531</u>

The Notes to Financial Statements are an integral part of these statements.

Diocesan Investment Trust of the Diocese of New Jersey
Notes to Financial Statements
December 31, 2017 and 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Diocesan Investment Trust of the Diocese of New Jersey, (the "Trust"), is invested in fixed income and equity securities for the purpose of providing a level of financial support for the Diocese and its constituent organizations. These organizations choose to be shareholders of the Trust which offers a convenient and attractive investment medium for the endowment, reserve, or savings funds of such constituents.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Board's Accounting Standards Codification. The Trust follows the accounting and reporting guidance in FASB Topic 946.

Fair Value – Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Trust uses various valuation techniques. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. Valuation techniques that are consistent with the market or income approach are used to measure fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access.

Level 2 - Valuations based on inputs, other than quoted prices included in Level 1, that are observable either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Trust's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed.

Diocesan Investment Trust of the Diocese of New Jersey
Notes to Financial Statements
December 31, 2017 and 2016

Accordingly, the degree of judgment exercised by the Trust in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

Fair Value - Valuation Techniques and Inputs

Investments in Securities

Investments in securities, such as common stock, mutual funds and REIT, that are freely tradable and are listed on major securities exchanges are valued at their last reported sales price as of the valuation date.

To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Securities traded on inactive markets or valued by reference to similar instruments are generally categorized in Level 2 of the fair value hierarchy.

Investments in Bonds

The fair value of municipal bonds is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond or credit default swap spreads, and volatility. Municipal bonds are generally categorized in Level 2 of the fair value hierarchy.

The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads. The spread data used is for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves, bond or single name credit default swap spreads, and recovery rates based on collateral values as key inputs. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy.

Investments in Private Investment Companies

Investments in private investment companies are valued, as a practical expedient, utilizing the net asset valuations provided by the underlying private investment companies, without adjustment, when the net asset valuations of the investments are calculated in a manner consistent with GAAP for investment companies. Investments in private investment companies are categorized in Level 3 of the fair value hierarchy.

Fair Value - Valuation Process

The Trust establishes valuation processes and procedures to ensure that the valuation techniques for investments that are categorized within Level 3 of the fair value hierarchy are fair, consistent, and verifiable. The Fund designates a Valuation Advisory Committee (the "Committee") to oversee the entire valuation process of the Fund's Level 3 investments. The Committee is comprised of various qualified members of the Trust. The Committee is responsible for developing the Fund's written valuation processes and procedures, conducting periodic reviews of the valuation policies, and evaluating the overall fairness and consistent application of the valuation policies.

The valuations of investments in private investment companies are supported by information received from the investee funds such as monthly net asset values, investor reports, and audited financial statements, when available. If it is probable that the Fund will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, or when the Fund believes

Diocesan Investment Trust of the Diocese of New Jersey
Notes to Financial Statements
December 31, 2017 and 2016

alternative valuation techniques are more appropriate, the committee may consider other factors, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

Investment Transactions and Related Investment Income

Investment transactions are accounted for on a trade-date basis. Dividends are recorded on the ex-dividend date and interest is recognized on the accrual basis. Premiums and discounts are amortized over the lives of the respective debt securities.

Income Taxes

As a church-affiliated organization, the trust is a tax-exempt entity. The Trust's policy is to evaluate uncertain tax positions in accordance with Accounting Standards Codification (ASC) Topic 740, "Accounting for Uncertainty in Income Taxes". Pursuant to the ASC, management has determined that as of December 31, 2017 and 2016, it does not have any uncertain tax positions required to be reported. The Trust is not required to file Form 990 or 990-T with the Internal Revenue Service (IRS), and accordingly these returns have not been filed with the IRS. In addition there have been no tax related interest or penalties for periods presented in the financial statements. Should any such penalties and interest be incurred, the Trust's policy would be to recognize them as operating expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Trust's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

2. FAIR VALUE MEASUREMENTS

The Trust's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Trust's significant accounting policies in Note 1. The following table presents information about the Trust's assets measured at fair value on a recurring basis as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds	\$ --	\$ 3,628,751	\$ --	\$ 3,628,751
Common Stock	27,320,527	--	--	27,320,527
Mutual Funds	15,525,871	--	--	15,525,871
REIT	491,774	--	--	491,774
Totals	<u>\$ 43,338,172</u>	<u>\$ 3,628,751</u>	<u>\$ --</u>	<u>\$ 46,966,923</u>

Diocesan Investment Trust of the Diocese of New Jersey
Notes to Financial Statements
December 31, 2017 and 2016

The following table represents the Trust's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds	\$ --	\$ 3,512,743	\$ --	\$ 3,512,743
Common Stock	23,685,780	--	--	23,685,780
Mutual Funds	14,768,145	--	--	14,768,145
Private investment Company	--	--	18,578	18,578
REIT	860,749	--	--	860,749
ETF	10,343	--	--	10,343
Totals	<u>\$ 39,325,017</u>	<u>\$ 3,512,743</u>	<u>\$ 18,578</u>	<u>\$ 42,856,338</u>

The following is a summary of activity for the year ended December 31, 2017 for assets measured at fair value based on unobservable measure criteria (level 3):

	<u>Private Investment</u>
Balance, beginning of year	\$ 18,578
Unrealized gains	392
Funds received for liquidation	(18,970)
Balance, end of year	<u>\$ --</u>

The following is a summary of activity for the year ended December 31, 2016 for assets measured at fair value based on unobservable measure criteria (level 3):

	<u>Private Investment</u>
Balance, beginning of year	\$ 26,211
Sales	--
Realized and unrealized losses	(7,633)
Balance, end of year	<u>\$ 18,578</u>

The following table summarizes investments measured using NAV per share as of December 31, 2016.

	Fair Value	Redemption Frequency	Redemption Notice Period
Private Investment in Topiary Trust	\$ 18,578	*	*

*In December 2008, the Trust received notification from the Trustee of the Topiary Trust (the "Fund") that the Fund had suspended redemptions and would affect an orderly liquidation of the Fund's assets. To date, the Trust has received distributions in excess of its investment in the Fund.

3. ACCRUED EXPENSES

Accrued expenses represent amounts due for custodial, service and audit fees directly associated with investments in securities.

Diocesan Investment Trust of the Diocese of New Jersey
Notes to Financial Statements
December 31, 2017 and 2016

4. DIVIDENDS

The aggregate dividends for the years ended December 31, 2017 and 2016 of \$1,749,346 and \$1,754,604, respectively were declared and payable monthly to participants of record as of the end of each month under a standing resolution of the Board of Trustees.

Monthly dividends for the year ended December 31, 2017 were as follows:

<u>Month Ended</u>	<u>Shares Outstanding</u>	<u>Total Dividend</u>
January 31	888,533.57	\$ 146,608
February 28	904,209.22	149,194
March 31	904,188.88	149,191
April 30	901,431.70	148,736
May 31	893,101.60	147,362
June 30	885,763.87	146,151
July 31	880,977.64	145,361
August 31	879,279.40	145,081
September 30	871,945.74	143,871
October 31	871,465.77	143,792
November 30	865,391.13	142,790
December 31	856,916.37	141,209
Total		<u>\$ 1,749,346</u>

Monthly dividends for the year ended December 31, 2016 were as follows:

<u>Month Ended</u>	<u>Shares Outstanding</u>	<u>Total Dividend</u>
January 31	893,738.14	\$ 147,467
February 29	892,846.29	147,320
March 31	893,356.88	147,404
April 30	894,368.20	147,571
May 31	889,818.85	146,820
June 30	890,086.52	146,864
July 31	885,149.18	146,049
August 31	882,643.03	145,636
September 30	877,264.40	144,749
October 31	872,863.53	144,022
November 30	871,958.59	143,873
December 31	889,870.53	146,829
Total		<u>\$ 1,754,604</u>

Dividends are calculated on the shares outstanding at month end without consideration of the effects of timing differences related to items such as reinvested dividends. The impact of these items is immaterial.

Diocesan Investment Trust of the Diocese of New Jersey
Notes to Financial Statements
December 31, 2017 and 2016

5. MONTHLY UNIT VALUATION

Monthly unit valuations are calculated based upon the Trust Net Asset Value as of month end divided by the number of shares outstanding. These values are the basis for contribution or withdrawal of units during the succeeding month.

Monthly unit valuations for the years ended December 31 are as follows:

<u>Month Ended</u>	<u>2017</u> <u>Per Share</u> <u>Value</u>	<u>2016</u> <u>Per Share</u> <u>Value</u>
January 31	\$ 48.23	\$ 43.76
February 28, 29	49.41	43.94
March 31	49.41	45.97
April 30	50.12	46.06
May 31	50.62	46.40
June 30	50.69	46.06
July 31	51.32	47.24
August 31	51.52	47.26
September 30	52.71	47.21
October 31	53.42	45.78
November 30	54.55	47.25
December 31	54.61	47.94

Monthly unit valuations are calculated without consideration of timing differences for items such as dividends reinvested at month end. The impact of these timing differences on the value per share is insignificant.

6. CONCENTRATION OF CREDIT RISK

The Trust maintains cash balances in several financial institutions. The balances are insured up to regulatory limits. At times, the deposits may exceed the amounts of the insurance provided on such deposits. Historically, the Trust has not experienced any credit related losses.

The Trust holds significant investments in various publicly traded companies and other investments. Investments in these types of securities have an inherent risk of loss due to market value fluctuations, including the risk that should these companies fail; the securities would be rendered worthless.

7. INVESTMENT ADVISORY FEES

The Trust pays 1919 Investment Counsel an investment advisory fee, calculated and payable quarterly in advance, on a sliding scale equal to 0.90% on the first \$10 million of the Trust's net asset value, 0.75% on the next \$15 million of the Trust's net asset value, 0.65% on the next \$25 million of the Trust's net asset value and 0.55% on the remaining balance of the Trust's net asset value. The Trust's net asset value used in the calculation is determined as of the beginning of each calendar quarter.

Diocesan Investment Trust of the Diocese of New Jersey
Notes to Financial Statements
December 31, 2017 and 2016

8. FINANCIAL HIGHLIGHTS

Financial highlights for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Net assets, beginning of year	\$ 47.94	\$ 46.63
Net investment income	0.22	0.37
Net realized and unrealized gains on investments	10.51	3.07
Increase (decrease) in net assets resulting from operations	10.73	3.44
Participants' contributions to the Trust	2.52	2.95
Participants' withdrawals from the Trust	(4.60)	(3.10)
Dividends declared	(1.98)	(1.98)
Net assets, end of year	<u>\$ 54.61</u>	<u>\$ 47.94</u>
Total return (a)	17.26%	6.70%
Ratios/Supplemental Data		
Net assets, end of year (thousands)	\$ 46,793	\$ 42,657
Ratio of expenses to average net assets	1.18%	1.23%
Ratio of net investment income to average net assets	0.43%	0.78%

(a) Total return is based on net investment income, net realized and unrealized gains (losses), and average net assets

Financial highlights are calculated for the participants taken as a whole. An individual participant's return and ratios may vary.

9. SUBSEQUENT EVENTS

The Trust has evaluated subsequent events occurring after the balance sheet through August 7, 2018, which is the date the financial statements were available to be issued, and noted one subsequent event which requires disclosure.

Effective January 2018, the Trust reached an agreement with The Glenmede Trust Company, N.A to replace 1919 Investment Counsel as the Trust's investment advisor. The Trust has determined that, with the exception of the preceding item, no other subsequent event requires disclosure in the financial statements.