

**DIOCESAN INVESTMENT TRUST  
OF THE DIOCESE OF NEW JERSEY**

**Financial Statements**

**December 31, 2012 and 2011**

**With Independent Auditors' Report**

**Diocesan Investment Trust of the Diocese of New Jersey**  
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**December 31, 2012 and 2011**

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## **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 in securities as of December 31, 2012 and 2011, and the related statements of operations, changes in net assets and the financial highlights 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 financial position of Diocesan Investment Trust of the Diocese of New Jersey as of December 31, 2012 and 2011, and the results of its operations, changes in net assets, and the financial highlights for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "Withum Smith &amp; Brown P.C.", is positioned below the opinion text. The signature is written in a cursive, flowing style.

October 22, 2013

**Diocesan Investment Trust of the Diocese of New Jersey**  
**Statements of Assets and Liabilities**  
**December 31, 2012 and 2011**

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	2012	2011
<b>Assets</b>		
Investment in securities, at fair value (cost \$28,288,061 in 2012 and \$27,232,746 in 2011)	\$ 35,691,117	\$ 32,518,804
Cash	10,442	4,695
Interest and dividends receivable	<u>28,274</u>	<u>123,378</u>
	<u><u>\$ 35,729,833</u></u>	<u><u>\$ 32,646,877</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Dividend Distributions payable	\$ 122,751	\$ 140,413
Accrued expenses	<u>116,887</u>	<u>92,527</u>
Total liabilities	239,638	232,940
Net assets (820,143.60 shares and 803,993.43 shares of beneficial interest issued in 2012 and 2011, respectively)	<u>35,490,195</u>	<u>32,413,937</u>
	<u><u>\$ 35,729,833</u></u>	<u><u>\$ 32,646,877</u></u>

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

**Diocesan Investment Trust of the Diocese of New Jersey**  
**Condensed Schedule of Investments**  
**December 31, 2012**

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<b>Investments in securities, at fair value:</b>	<b>Number of Shares</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Common Stock			
Consumer Discretionary		\$ 2,399,707	6.76 %
Consumer Staples		1,596,105	4.50
Energy		2,030,629	5.72
Financials		2,629,782	7.41
Healthcare		2,588,975	7.29
Industrials		3,286,343	9.26
Information Technology		3,578,864	10.08
Materials		1,529,564	4.31
Telecommunication Services		843,190	2.38
Utilities		<u>1,006,589</u>	<u>2.84</u>
Common Stock Total (cost \$14,419,505)		21,489,748	60.55
Mutual Funds			
Developed Markets			
Harbor International Fund	31,892	1,981,119	5.58
Fixed Income			
Columbia Short-Intermediate Bond Z	1,106,498	<u>10,467,473</u>	<u>29.50</u>
Mutual Funds Total (cost \$12,285,029)		12,448,592	35.08
Exchange-Traded Funds			
Ishares Emerging Markets		<u>228,780</u>	<u>0.64</u>
Exchange-Traded Funds Total (cost \$244,466)		228,780	0.64
Private Investment			
Unit Investment Trust		<u>184,937</u>	<u>0.52</u>
Private Investment Total (cost \$-0-)		184,937	0.52
Short-term Investment			
Money Market Fund		<u>1,339,060</u>	<u>3.78</u>
Short-term Investment Total (cost \$1,339,061)		<u>1,339,060</u>	<u>3.78</u>
Total investments in securities, at fair value		<u>\$ 35,691,117</u>	<u>100.57 %</u>

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

**Diocesan Investment Trust of the Diocese of New Jersey**  
**Condensed Schedule of Investments**  
**December 31, 2011**

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<b>Investments in securities, at fair value:</b>	<b>Number of Shares</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
Common Stock			
Consumer Discretionary		\$ 1,738,513	5.36 %
Consumer Staples		1,529,058	4.72
Energy		2,407,211	7.43
Financials		2,142,022	6.61
Healthcare		2,528,622	7.80
Industrials		2,735,593	8.44
Information Technology		3,009,814	9.29
Materials		1,375,702	4.24
Telecommunication Services		595,168	1.84
Utilities		<u>909,004</u>	<u>2.80</u>
Common Stock Total (cost \$13,826,560)		18,970,707	58.54
Mutual Funds			
Developed Markets		1,639,113	5.06
Fixed Income			
Columbia Short-Intermediate Bond Z	1,042,247	9,880,499	30.48
Other		<u>71,720</u>	<u>0.22</u>
Mutual Funds Total (cost \$11,703,601)		11,591,332	35.76
Exchange-Traded Funds			
Ishares Emerging Markets		<u>288,470</u>	<u>0.89</u>
Exchange-Traded Funds Total (cost \$366,317)		288,470	0.89
Private Investments			
Unit Investment Trust		<u>332,027</u>	<u>1.02</u>
Private Investments Total (cost \$-0-)		332,027	1.02
Short-Term Investments			
Money Market Fund		<u>1,336,268</u>	<u>4.12</u>
Short-Term Investments Total (cost \$1,336,268)		<u>1,336,268</u>	<u>4.12</u>
Total investments in securities, at fair value		<u>\$ 32,518,804</u>	<u>100.32 %</u>

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

**Diocesan Investment Trust of the Diocese of New Jersey**  
**Statements of Operations**  
**Years ended December 31, 2012 and 2011**

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	2012	2011
Investment income		
Dividends and interest	\$ 742,772	\$ 663,934
Other income	<u>304</u>	<u>2,307</u>
	<u>743,076</u>	<u>666,241</u>
Expenses		
Investment advisory fees	224,170	185,336
Administrative expenses	<u>136,197</u>	<u>123,009</u>
	<u>360,367</u>	<u>308,345</u>
Net investment income	382,709	357,896
Net realized and unrealized gains (losses) on investments		
Unrealized gains (losses) on investments		
Beginning of year	5,286,058	7,061,512
End of year	<u>7,403,056</u>	<u>5,286,058</u>
Net unrealized gains (losses)	<u>2,116,998</u>	<u>(1,775,454)</u>
Realized gains on investments		
Proceeds from securities sold	8,006,166	8,584,223
Cost of securities sold	<u>6,668,654</u>	<u>7,253,062</u>
Net realized gains	<u>1,337,512</u>	<u>1,331,161</u>
Net realized and unrealized gains (losses) on investments	<u>3,454,510</u>	<u>(444,293)</u>
Increase (decrease) in net assets resulting from operations	<u>\$ 3,837,219</u>	<u>\$ (86,397)</u>

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



**Diocesan Investment Trust of the Diocese of New Jersey**  
**Statements of Changes in Net Assets**  
**Years ended December 31, 2012 and 2011**

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	2012	2011
Increase in assets from operations		
Net investment income	\$ 382,709	\$ 357,896
Net realized and unrealized gains (losses) on investments	<u>3,454,510</u>	<u>(444,293)</u>
Increase (decrease) in net assets resulting from operations	3,837,219	(86,397)
Participants' contributions to the Trust (34,203.28 shares and 58,559.43 shares in 2012 and 2011, respectively)	1,468,740	2,455,262
Participants' withdrawals from the Trust (18,053.11 shares and 28,959.39 shares in 2012 and 2011, respectively)	(769,332)	(1,216,232)
Dividends declared	<u>(1,460,369)</u>	<u>(1,657,180)</u>
Increase (decrease) in net assets	3,076,258	(504,547)
Net assets, beginning of year	<u>32,413,937</u>	<u>32,918,484</u>
Net assets, end of year	<u><u>\$ 35,490,195</u></u>	<u><u>\$ 32,413,937</u></u>

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

**Diocesan Investment Trust of the Diocese of New Jersey**  
**Financial Highlights**  
**(Selected Data for a Share Outstanding Throughout the Period)**  
**Years ended December 31, 2012 and 2011**

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	2012	2011
Net assets, beginning of year	\$ 40.32	\$ 42.51
Net investment income	0.47	0.45
Net realized and unrealized gains (losses) on investments	<u>3.42</u>	<u>(2.12)</u>
Increase (decrease) in net assets resulting from operations	3.89	(1.67)
Participants' contributions to the Trust	1.81	3.12
Participants' withdrawals from the Trust	(0.95)	(1.54)
Dividends declared	<u>(1.80)</u>	<u>(2.10)</u>
Net assets, end of year	<u>\$ 43.27</u>	<u>\$ 40.32</u>
Total return (a)	11.30%	-0.26%
Ratios/Supplemental Data		
Net assets, end of year (thousands)	35,490	32,414
Ratio of expenses to average net assets	1.06%	0.94%
Ratio of net investment income to average net assets	1.13%	1.10%

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

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

**Diocesan Investment Trust of the Diocese of New Jersey**  
**Notes to Financial Statements**  
**December 31, 2012 and 2011**

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**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 benefit of Parishes and Institutional accounts of the Diocese of New Jersey who hold shares in the Trust. The objectives of the Trustees of the Trust are to maintain or increase the real value of the Fund in perpetuity.

**Basis of Accounting**

The financial statements of the Trust have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles.

**Investments**

Security transactions are recorded on the trade date. Investments are stated at market value, which is the closing sales price on the last day of trading during the year. The difference between cost and market value is reflected as unrealized appreciation (depreciation) of investments. Realized gains (losses) from securities transactions are determined for financial reporting purposes on the identified cost basis. Dividends are recorded on the ex-dividend date. Interest income is accrued as earned.

**Capital Transactions**

Subscriptions and redemptions from the Trust are based upon the number of shares subscribed or redeemed multiplied by the previous month's end Net Asset Value ("NAV") per share.

**Use of Estimates**

The preparation of financial statements in conformity with United States generally accepted accounting principles may require management to make assumptions and estimates that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**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, 2012 and 2011, 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.

**Recent Accounting Pronouncements**

During 2012, the Trust adopted Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement and Disclosure requirements in U.S. GAAP and IFRS*. This standard does not affect previous guidance on fair value measurement. Its provisions are limited to clarifying language on several fair value issues and additional disclosures, especially for level 3 fair values. It is effective for nonpublic entities for annual periods beginning after December 15, 2011. The adoption of this standard had an immaterial effect on these financials.

**2. Fair Value of Investments**

The Trust has adopted Accounting Standards Codification 820, *Fair Value Measurements* ("ASC 820"). The Trust has adopted ASC 820 with respect to its financial assets and liabilities only. ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosure about fair value measurements. Fair value is defined under ASC 820 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

**Diocesan Investment Trust of the Diocese of New Jersey**  
**Notes to Financial Statements**  
**December 31, 2012 and 2011**

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advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable.

These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect one's estimates of assumptions that a market participant would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

**Investments in Securities**

Investments in securities that are exchange traded on major securities exchanges are valued at their last reported sales price as of the valuation date.

**Investments in Private Investments**

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.

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, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 21,489,748	\$ --	\$ --	\$ 21,489,748
Mutual funds	12,448,592	--	--	12,448,592
Exchange-Traded funds	228,780	--	--	288,470
Private investment	--	--	184,937	184,937
Short-term securities	1,339,060	--	--	1,339,060
Totals	<u>\$ 35,506,180</u>	<u>\$ --</u>	<u>\$ 184,937</u>	<u>\$ 35,691,117</u>

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, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 18,970,707	\$ --	\$ --	\$ 18,970,707
Mutual funds	11,591,332	--	--	11,591,332
Exchange-Traded funds	288,470	--	--	288,470
Private investment	--	--	332,027	332,027
Short-term securities	1,336,268	--	--	1,336,268
Totals	<u>\$ 32,186,777</u>	<u>\$ --</u>	<u>\$ 332,027</u>	<u>\$ 32,518,804</u>

**Diocesan Investment Trust of the Diocese of New Jersey**  
**Notes to Financial Statements**  
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For applicable assets and liabilities subject to this pronouncement, the Trust will value such assets and liabilities using quoted market prices in active market for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Trust will next attempt to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Trust will develop measurement criteria based on the best information available.

The following is a summary of activity for the year ended December 31, 2012 for assets measured at fair value based on unobservable measure criteria (level 3):

	<b><u>Private Investment</u></b>
Balance, beginning of year	\$ 332,027
Sales	(138,297)
Realized and unrealized losses	(8,793)
Balance, end of year	<u>\$ 184,937</u>

The following table summarizes investments measured using NAV per share as of December 31, 2012.

	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Private Investment in Topiary Trust	\$ 184,937	*	*

The following is a summary of activity for the year ended December 31, 2011 for assets measured at fair value based on unobservable measure criteria (level 3):

	<b><u>Private Investment</u></b>
Balance, beginning of year	\$ 636,108
Sales	(311,633)
Realized and unrealized gains	7,552
Balance, end of year	<u>\$ 332,027</u>

The following table summarizes investments measured using NAV per share as of December 31, 2011.

	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Private Investment in Topiary Trust	\$ 332,027	*	*

\*In December 2008, the Trust received notification from the Trustee of the Topiary Trust (the "Fund") that the Fund had suspended redemptions and would effect an orderly liquidation of the Fund's assets. On January 31, 2012, February 29, 2012, June 30, 2012 and September 30, 2012, the Fund distributed \$38,928, \$68,165, \$19,232 and \$11,972 to the Trust, respectively. On January 31, 2011, May 31, 2011 and September 30, 2011, the Fund distributed \$168,711, \$89,273, and \$53,648 to the Trust, respectively. From January 1, 2013 to October 2013, the Trust has received total distributions of \$67,672, including investment income, from the Fund.

### **3. Accrued Expenses**

Accrued expenses represent amounts due for investment advisory, 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, 2012 and 2011**

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**4. Dividends**

The aggregate dividends for the years ended December 31, 2012 and 2011 of \$1,460,369 and \$1,657,180 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, 2012 were as follows:

<b><u>Month Ended</u></b>	<b><u>Shares Outstanding</u></b>	<b><u>Total Dividend</u></b>
January 31	801,960.44	\$ 120,227
February 29	803,724.44	120,484
March 31	804,619.29	120,615
April 30	806,016.28	120,820
May 31	812,624.85	121,791
June 30	813,350.86	121,895
July 31	812,148.33	121,719
August 31	816,339.25	122,336
September 30	818,766.10	122,692
October 31	816,924.65	122,421
November 30	818,274.10	122,618
December 31	820,143.60	122,751
Total		<u>\$ 1,460,369</u>

Monthly dividends for the year ended December 31, 2011 were as follows:

<b><u>Month Ended</u></b>	<b><u>Shares Outstanding</u></b>	<b><u>Total Dividend</u></b>
January 31	776,005.57	\$ 135,801
February 28	775,621.19	135,734
March 31	782,555.32	136,947
April 30	781,513.28	136,765
May 31	782,637.91	136,962
June 30	794,105.13	138,968
July 31	795,443.52	139,203
August 31	792,917.29	138,761
September 30	790,221.23	138,288
October 31	797,574.63	139,576
November 30	798,641.75	139,762
December 31	803,993.43	140,413
Total		<u>\$ 1,657,180</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.

**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.

**Diocesan Investment Trust of the Diocese of New Jersey**  
**Notes to Financial Statements**  
**December 31, 2012 and 2011**

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

<u>Month Ended</u>	<u>2012</u> <u>Per Share</u> <u>Value</u>	<u>2011</u> <u>Per Share</u> <u>Value</u>
January 31	\$ 42.13	\$ 42.91
February 29	43.00	43.29
March 31	43.47	44.18
April 30	43.34	44.77
May 31	41.29	44.41
June 30	41.84	43.69
July 31	42.61	43.16
August 31	43.38	41.68
September 30	43.82	39.25
October 31	43.04	42.02
November 30	42.96	41.43
December 31	43.27	40.32

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. Subsequent events**

The Trust has evaluated subsequent events occurring after the balance sheet through October 22, 2013, which is the date the financial statements were available to be issued. Based on this evaluation, the Trust has determined that no subsequent event requires disclosure in the financial statements.