

**DIOCESAN INVESTMENT TRUST
OF THE EPISCOPAL DIOCESE OF MISSOURI**

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

Diocesan Investment Trust
of the Episcopal Diocese of Missouri

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Independent Auditors' Report

Board of Trustees
Diocesan Investment Trust
of the Episcopal Diocese of Missouri
St. Louis, Missouri

We have audited the accompanying statements of financial position of the Diocesan Investment Trust of the Episcopal Diocese of Missouri (the "Trust") as of December 31, 2011 and 2010 and the related statements of activities and changes in net assets for the years then ended. 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 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 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 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 the Diocesan Investment Trust of the Episcopal Diocese of Missouri as of December 31, 2011 and 2010, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Trust. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


May 4, 2012

FINANCIAL STATEMENTS

Diocesan Investment Trust of the Episcopal Diocese of Missouri
STATEMENTS OF FINANCIAL POSITION

	December 31, 2011		
	Bond Fund	Equity Fund	Total
ASSETS			
Investment securities - at fair value	\$ 13,840,304	\$ 12,099,640	\$ 25,939,944
Cash and cash equivalents	157,023	220,461	377,484
Interest and dividends receivable	35,388	6	35,394
Total Assets	14,032,715	12,320,107	26,352,822
LIABILITIES			
Fees payable	817	2,460	3,277
NET ASSETS	\$ 14,031,898	\$ 12,317,647	\$ 26,349,545

	December 31, 2010		
	Bond Fund	Equity Fund	Total
ASSETS			
Investment securities - at fair value	\$ 12,115,383	\$ 11,449,396	\$ 23,564,779
Cash and cash equivalents	66,453	196,772	263,225
Interest and dividends receivable	33,986	25	34,011
Total Assets	12,215,822	11,646,193	23,862,015
LIABILITIES			
Fees payable	711	2,358	3,069
NET ASSETS	\$ 12,215,111	\$ 11,643,835	\$ 23,858,946

See accompanying notes to financial statements

Diocesan Investment Trust of the Episcopal Diocese of Missouri
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2011		
	Bond Fund	Equity Fund	Total
INVESTMENT INCOME			
Interest and dividend income	\$ 426,066	\$ 209,446	\$ 635,512
Custodial fees	(13,916)	(32,420)	(46,336)
Investment Income, net	412,150	177,026	589,176
NET GAIN (LOSS) ON INVESTMENTS			
Realized gain (loss) from securities transactions	82,002	15	82,017
Unrealized gain (loss)	474,462	(222,177)	252,285
Net Gain (Loss) on Investments	556,464	(222,162)	334,302
Change in Net Assets Resulting from Operations	968,614	(45,136)	923,478
DISTRIBUTIONS AND REDEMPTIONS	(504,806)	(192,566)	(697,372)
CONTRIBUTIONS	882,979	1,381,514	2,264,493
TRANSFERS	470,000	(470,000)	-
Change In Net Assets	1,816,787	673,812	2,490,599
NET ASSETS, Beginning of Year	12,215,111	11,643,835	23,858,946
NET ASSETS, End of Year	\$ 14,031,898	\$ 12,317,647	\$ 26,349,545

See accompanying notes to financial statements

Year Ended December 31, 2010

Bond Fund	Equity Fund	Total
\$ 447,189	\$ 168,607	\$ 615,796
(13,878)	(29,182)	(43,060)
<u>433,311</u>	<u>139,425</u>	<u>572,736</u>
119,444	(25,465)	93,979
<u>244,978</u>	<u>1,311,023</u>	<u>1,556,001</u>
<u>364,422</u>	<u>1,285,558</u>	<u>1,649,980</u>
797,733	1,424,983	2,222,716
(1,337,879)	(533,989)	(1,871,868)
214,269	2,155,076	2,369,345
<u>-</u>	<u>-</u>	<u>-</u>
(325,877)	3,046,070	2,720,193
<u>12,540,988</u>	<u>8,597,765</u>	<u>21,138,753</u>
<u>\$ 12,215,111</u>	<u>\$ 11,643,835</u>	<u>\$ 23,858,946</u>

Diocesan Investment Trust of the Episcopal Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Diocesan Investment Trust of the Episcopal Diocese of Missouri (the "Trust") was organized on April 15, 1959, under the laws of the State of Missouri by a trust agreement. The Trust was established to invest funds in various marketable securities for the Diocese of Missouri – The Episcopal Church (the "Diocese") and its parishes, missions, and other organizations formed under the Diocese. The Trust is held in one or more common Funds, as determined by the Trustees, and is managed by professional investment managers, who are subject to the Trustees' investment policies. "Shares" are purchased and/or redeemed in such numbers as the parishes, missions, and other organizations, in their discretion, may determine.

Investments

Marketable securities are purchased and maintained in two separate funds (bond and equity funds) as applicable. Investments are carried at fair value which is the last reported closing bid price on the last day of the year. The difference between cost and fair value is reflected as unrealized appreciation (depreciation) of investments. The Trust records investment transactions on the settlement date.

Realized gains (losses) from such transactions are determined for financial reporting purposes on the identified cost basis. Dividend income is recognized on the ex-dividend date. Interest income is recognized on the accrual basis. Premiums and discounts, if any, on debt instruments purchased are amortized over the lives of the respective securities.

Cash and Cash Equivalents

The Trust considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

The credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios and the security of uninsured deposits. As a result, The Trust's deposits and investments are likely exposed to an increased level of risk of loss that is currently not anticipated and cannot be estimated as of the date of these financial statements.

Financial Instruments

The Trust assumes the carrying amounts of cash and cash equivalents, interest and dividends receivable, and fees payable reported in the Statements of Financial Position approximate fair values due to the short-term nature of those instruments.

Diocesan Investment Trust of the Episcopal Diocese of Missouri
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011 and 2010
 (Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Income Taxes

Pursuant to the terms of the Trust documents and the requisite qualifications of its participants, the Trust is covered by the group exemption from federal income taxes under Section 501(c)(3) provided to the Diocese of Missouri – The Episcopal Church by the Internal Revenue Service on February 24, 1971. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Use of Estimates

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

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 4 2012, the date the financial statements were available to be issued.

B. **DISTRIBUTIONS OF INCOME AND REDEMPTIONS**

The Trust agreement requires the net operating income and net realized capital gains (if any) of the Trust, as well as proceeds from the sale, redemption, or maturity of securities (to the extent the proceeds are not used to redeem interests) be credited to trust participants monthly as cash or additional investments. The agreement also requires the Trust to redeem interests tendered for redemption on the fifth day following the end of the month at a price determined to be the net asset value of each interest as of the last day of the month. The net asset value of each interest shall be determined by ascertaining the market value of the fund on the last day of the month allocated by each pro-rata investment share outstanding on the date of determination.

C. **INVESTMENTS**

Investments at December 31, 2011 were comprised of the following:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Bond Fund	\$13,840,304	\$12,844,384	\$995,920
Equity Fund	12,099,640	12,812,648	(713,008)
Total Investments	<u>\$25,939,944</u>	<u>\$25,657,032</u>	<u>\$282,912</u>

Diocesan Investment Trust of the Episcopal Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010
(Continued)

C. INVESTMENTS (Continued)

Net investment income at December 31, 2011 consists of the following:

	Bond Fund	Equity Fund	Total
Interest and dividend income	\$426,066	\$209,446	\$635,512
Custodial fees	(13,916)	(32,420)	(46,336)
Realized gain (loss)	82,002	(2,323)	79,679
Unrealized gain	474,462	(222,177)	252,285
Litigation Settlements	-	2,338	2,338
Total Net Investment Income	\$968,614	(\$ 45,136)	\$923,478

Investments at December 31, 2010 were comprised of the following:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Bond Fund	\$12,115,383	\$11,593,925	\$521,458
Equity Fund	11,449,396	11,940,227	(490,831)
Total Investments	\$23,564,779	\$23,534,152	\$ 30,627

Net investment income at December 31, 2010 consists of the following:

	Bond Fund	Equity Fund	Total
Interest and dividend income	\$447,189	\$ 168,607	\$ 615,796
Custodial fees	(13,878)	(29,182)	(43,060)
Realized gain (loss)	119,444	(25,465)	93,979
Unrealized gain	244,978	1,311,023	1,556,001
Total Net Investment Income	\$797,733	\$1,424,983	\$2,222,716

Diocesan Investment Trust of the Episcopal Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010
(Continued)

D. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2011</u>				
Bond Fund	\$13,840,304	\$ -	\$13,840,304	\$ -
Equity Fund	12,099,640	12,099,640	-	-
Total	<u>\$25,939,944</u>	<u>\$12,099,640</u>	<u>\$13,840,304</u>	<u>\$ -</u>
<u>December 31, 2010</u>				
Bond Fund	\$12,115,383	\$ -	\$12,115,383	\$ -
Equity Fund	11,449,396	11,449,396	-	-
Total	<u>\$23,564,779</u>	<u>\$11,449,396</u>	<u>\$12,115,383</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on quoted market prices within active markets, such as exchange-traded securities. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Examples of Level 2 include U.S. Treasury securities, corporate and municipal bonds, and mortgage backed securities. Financial assets valued using Level 3 inputs are based primarily on assumptions about the marketability of the assets and can include corporate loans, mortgage loans, distressed debt, and investments in real estate funds. The Trust has no Level 3 assets.

E. FEES AND OTHER TRANSACTIONS WITH AFFILIATES

The Trust pays custodial fees to TIAA-CREF. The accrued fees charged to the Bond Fund and to the Equity Fund are reflected as a reduction of market value.

F. CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments potentially subjecting the Trust to concentrations of credit and market risk consist principally of cash and investments. The Trust has significant amounts of investments subject to market risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable.

Diocesan Investment Trust of the Episcopal Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010
(Continued)

F. **CONCENTRATIONS OF CREDIT AND MARKET RISK** *(Continued)*

Bond Fund investments at December 31, 2011 of \$13,840,304 (with a cost basis of \$12,844,384) consist principally of Vanguard Total Bond Market Index Fund. Equity Fund investments at December 31, 2011 consist of \$12,099,640 of TIAA-CREF Social Choice Equity Institutional Class with a cost basis of \$12,812,648.

Bond Fund investments at December 31, 2010 of \$12,115,383 (with a cost basis of \$11,593,925) consist principally of Vanguard Total Bond Market Index Fund. Equity Fund investments at December 31, 2010 consist of \$11,449,396 of TIAA-CREF Social Choice Equity Institutional Class with a cost basis of \$11,940,227.

**SUPPLEMENTAL
INFORMATION**

Diocesan Investment Trust of the Episcopal Diocese of Missouri
SCHEDULE OF CONGREGATIONAL HOLDINGS
December 31, 2011

	Bond Fund		Equity Fund	
	% Shares Held	Market Value	% Shares Held	Market Value
Ascension Parish Memorial Endowment	0.441%	\$ 61,920	1.992%	\$ 245,473
Bishop - Louis Woltman Fund	1.317%	184,778	2.213%	272,606
Bishop Lichtenberger	0.012%	1,678	0.029%	3,517
Bishop Permanently Restricted Funds	0.379%	53,131	0.903%	111,272
Calvary Episcopal Building Trust Fund	0.218%	30,564	0.271%	33,445
Calvary Episcopal Church	0.000%	-	0.096%	11,805
Calvary Episcopal Continuing Education Fund	0.220%	30,851	0.000%	-
Calvary Episcopal Foundation Trust Fund	0.520%	72,938	0.406%	50,036
Calvary Episcopal Homeless Ministry Fund	0.367%	51,541	0.000%	-
Calvary Episcopal Stapel Trust Fund	0.332%	46,593	0.414%	50,987
Christ - Arthur Lichtenberger Endowment Fd	0.831%	116,619	0.349%	43,018
Christ - Chapter Funds	0.988%	138,673	1.055%	129,918
Christ Endowment Fund of Christ Church Cathedral	38.136%	5,351,324	9.498%	1,170,261
Christ Church-Rolla Endowment (Reinvest)	0.315%	44,183	0.491%	60,506
Church of the Good Shepherd Foundation	0.487%	68,383	0.871%	107,299
Diocesan White Loan Investment Acct	16.132%	2,263,750	26.401%	3,252,668
Diocese - Aged & Infirm Clergy Fund	3.453%	484,565	5.638%	694,547
Diocese - Agnes & Grace Muller Trust	0.425%	59,587	0.647%	79,654
Diocese - All Saints of Farmington	0.241%	33,885	0.023%	2,817
Diocese - Cadigan Fellowship	0.398%	55,914	0.843%	103,834
Diocese - Campus Ministry Fund	1.175%	164,937	2.030%	250,098
Diocese - Church Endowment Assistance Fund	1.699%	238,478	3.178%	391,501
Diocese - CoedMo Unrestricted Fund	2.586%	362,902	4.502%	554,653
Diocese - Donaldson Endowment	3.726%	522,879	6.090%	750,258
Diocese - Donaldson Endowment Inv Income	0.678%	95,172	1.202%	148,086
Diocese - Episcopal Women Endowment Fund	0.052%	7,320	0.236%	29,094
Diocese - Future Bishop/Transition Fd	0.286%	40,101	0.453%	55,781
Diocese - Future Mission Fund	3.438%	482,433	5.086%	626,658
Diocese - New Ministries for Least	2.683%	376,522	4.837%	595,874
Diocese - New Ministries on Campus	2.683%	376,522	4.837%	595,874
Diocese - New Witness Fund	1.188%	166,651	2.079%	256,195
Diocese - St. Francis Building Fund	0.074%	10,347	0.124%	15,232
Diocese - Theological Education Fund	0.570%	79,930	0.948%	116,742
Diocese - Thompson Invested Income	1.157%	162,416	0.844%	104,028
Diocese - William A. Jones, Jr. Endowment	0.112%	15,750	0.207%	25,523

Diocesan Investment Trust of the Episcopal Diocese of Missouri
 SCHEDULE OF CONGREGATIONAL HOLDINGS
 December 31, 2011
 (Continued)

	Bond Fund		Equity Fund	
	% Shares Held	Market Value	% Shares Held	Market Value
Emmanuel Church Foundation Endowment Fd	10.302%	1,445,491	8.182%	1,008,007
Episcopal City Mission	1.314%	184,400	1.135%	139,887
Grace Hill Trust (Reinvest)	0.000%	46	0.001%	86
Mission Fund of the Episcopal Church	0.152%	21,293	0.209%	25,805
St. Francis Episcopal Church-Reinvest	0.000%	-	0.061%	7,549
St. John's Church of Eolia	0.032%	4,522	0.063%	7,787
St. John's Episcopal Church	0.188%	26,408	0.000%	-
St. Martin's Episcopal Church	0.004%	529	0.015%	1,904
St. Matthew's Episcopal Church	0.088%	12,348	0.133%	16,352
St. Peter's Episcopal Church	0.000%	-	0.639%	78,695
The Ross-Mitchell Fund (Reinvest)	0.226%	31,773	0.565%	69,626
The Thelma Caskey Memorial Fund (Reinvest)	0.136%	19,109	0.204%	25,149
Trinity Episcopal Church of Desoto	0.239%	33,559	0.000%	-
	<u>100.000%</u>	<u>\$14,032,715</u>	<u>100.000%</u>	<u>\$12,320,107</u>