

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

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**

Diocesan Investment Trust
of the Episcopal Diocese of Missouri

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Notes to Financial Statements.....	5 - 8
SUPPLEMENTAL INFORMATION	
Schedule of Congregational Holdings	9 - 10



Independent Auditors' Report

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

We have audited the accompanying financial statements of Diocesan Investment Trust of the Episcopal Diocese of Missouri (the "Trust") which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities and changes in net assets for the year 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 audit. 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 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 the Diocesan Investment Trust of the Episcopal Diocese of Missouri as of December 31, 2013 and 2012, and the changes in its net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the financial statements. 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.



St. Louis, Missouri

May 2, 2014

FINANCIAL STATEMENTS

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

	December 31, 2013		
	Bond Fund	Equity Fund	Total
ASSETS			
Investment securities - at fair value	\$ 12,649,343	\$ 20,222,517	\$ 32,871,860
Cash and cash equivalents	336,926	97,929	434,855
Interest and dividends receivable	28,905	1	28,906
Total Assets	13,015,174	20,320,447	33,335,621
LIABILITIES			
Fees payable	-	4,326	4,326
NET ASSETS	\$ 13,015,174	\$ 20,316,121	\$ 33,331,295

	December 31, 2012		
	Bond Fund	Equity Fund	Total
ASSETS			
Investment securities - at fair value	\$ 13,131,362	\$ 15,121,095	\$ 28,252,457
Cash and cash equivalents	208,893	72,534	281,427
Interest and dividends receivable	26,845	7	26,852
Total Assets	13,367,100	15,193,636	28,560,736
LIABILITIES			
Fees payable	779	4,714	5,493
NET ASSETS	\$ 13,366,321	\$ 15,188,922	\$ 28,555,243

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, 2013		
	Bond Fund	Equity Fund	Total
INVESTMENT INCOME			
Interest and dividend income	\$ 320,759	\$ 276,294	\$ 597,053
Custodial fees	(3,743)	(41,368)	(45,111)
Investment Income, net	<u>317,016</u>	<u>234,926</u>	<u>551,942</u>
NET GAIN (LOSS) ON INVESTMENTS			
Realized gain from securities transactions	61,867	218,071	279,938
Unrealized (loss) gain	(668,685)	4,661,207	3,992,522
Net (Loss) Gain on Investments	<u>(606,818)</u>	<u>4,879,278</u>	<u>4,272,460</u>
Change in Net Assets Resulting from Operations	(289,802)	5,114,204	4,824,402
DISTRIBUTIONS AND REDEMPTIONS	(958,354)	(371,961)	(1,330,315)
CONTRIBUTIONS	912,009	369,956	1,281,965
TRANSFERS	(15,000)	15,000	-
Change In Net Assets	<u>(351,147)</u>	<u>5,127,199</u>	<u>4,776,052</u>
NET ASSETS, Beginning of Year	<u>13,366,321</u>	<u>15,188,922</u>	<u>28,555,243</u>
NET ASSETS, End of Year	<u>\$ 13,015,174</u>	<u>\$ 20,316,121</u>	<u>\$ 33,331,295</u>

See accompanying notes to financial statements

Year Ended December 31, 2012

Bond Fund	Equity Fund	Total
\$ 373,638	\$ 293,448	\$ 667,086
(14,108)	(42,284)	(56,392)
<u>359,530</u>	<u>251,164</u>	<u>610,694</u>
197,606	4,665	202,271
785	1,428,501	1,429,286
<u>198,391</u>	<u>1,433,166</u>	<u>1,631,557</u>
557,921	1,684,330	2,242,251
(639,832)	(385,104)	(1,024,936)
555,708	432,675	988,383
(1,139,374)	1,139,374	-
(665,577)	2,871,275	2,205,698
<u>14,031,898</u>	<u>12,317,647</u>	<u>26,349,545</u>
<u>\$ 13,366,321</u>	<u>\$ 15,188,922</u>	<u>\$ 28,555,243</u>

Diocesan Investment Trust of the Episcopal Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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.

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.

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.

Diocesan Investment Trust of the Episcopal Diocese of Missouri
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013 and 2012
 (Continued)

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

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.

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.

Subsequent Events

Subsequent events were evaluated through May 2, 2014, which is 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, 2013 were comprised of the following:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Bond Fund	\$12,649,343	\$12,321,318	\$ 328,025
Equity Fund	20,222,517	14,845,813	5,376,704
Total Investments	<u>\$32,871,860</u>	<u>\$27,167,131</u>	<u>\$5,704,729</u>

Diocesan Investment Trust of the Episcopal Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012
(Continued)

C. **INVESTMENTS** (Continued)

Net investment income at December 31, 2013 consists of the following:

	Bond Fund	Equity Fund	Total
Interest and dividend income	\$320,759	\$ 276,294	\$ 597,053
Custodial fees	(3,743)	(41,368)	(45,111)
Realized gain	61,867	218,071	279,938
Unrealized (loss) gain	(668,685)	4,661,207	3,992,522
Total Net Investment Income	<u>(\$289,802)</u>	<u>\$5,114,204</u>	<u>\$4,824,402</u>

Investments at December 31, 2012 were comprised of the following:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Bond Fund	\$13,131,362	\$12,134,658	\$ 996,704
Equity Fund	15,121,095	14,405,601	715,494
Total Investments	<u>\$28,252,457</u>	<u>\$26,540,259</u>	<u>\$1,712,198</u>

Net investment income at December 31, 2012 consists of the following:

	Bond Fund	Equity Fund	Total
Interest and dividend income	\$373,638	\$ 293,448	\$ 667,086
Custodial fees	(14,108)	(42,284)	(56,392)
Realized gain (loss)	197,606	4,665	202,271
Unrealized gain	785	1,428,501	1,429,286
Total Net Investment Income	<u>\$557,921</u>	<u>\$1,684,330</u>	<u>\$2,242,251</u>

Diocesan Investment Trust of the Episcopal Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012
(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, 2013</u>				
Bond Fund	\$12,649,343	\$ -	\$12,649,343	\$ -
Equity Fund	<u>20,222,517</u>	<u>20,222,517</u>	-	-
Total	<u>\$32,871,860</u>	<u>\$20,222,517</u>	<u>\$12,649,343</u>	<u>\$ -</u>
<u>December 31, 2012</u>				
Bond Fund	\$13,131,362	\$ -	\$13,131,362	\$ -
Equity Fund	<u>15,121,095</u>	<u>15,121,095</u>	-	-
Total	<u>\$28,252,457</u>	<u>\$15,121,095</u>	<u>\$13,131,362</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. 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.

Bond Fund investments at December 31, 2013 of \$12,649,343 (with a cost basis of \$12,321,318) consist principally of Vanguard Total Bond Market Index Fund. Equity Fund investments at December 31, 2013 consist of \$20,222,517 of TIAA-CREF Social Choice Equity Institutional Class with a cost basis of \$14,845,813.

Bond Fund investments at December 31, 2012 of \$13,131,362 (with a cost basis of \$12,134,658) consist principally of Vanguard Total Bond Market Index Fund. Equity Fund investments at December 31, 2012 consist of \$15,121,095 of TIAA-CREF Social Choice Equity Institutional Class with a cost basis of \$14,405,601.

**SUPPLEMENTAL
INFORMATION**

Diocesan Investment Trust of the Episcopal Diocese of Missouri
SCHEDULE OF CONGREGATIONAL HOLDINGS
December 31, 2013

	Bond Fund		Equity Fund	
	% Shares Held	Market Value	% Shares Held	Market Value
Ascension Parish Memorial Endowment	0.460%	\$ 59,915	1.779%	\$ 361,433
Calvary Episcopal Building Trust Fund	0.228%	29,661	0.246%	49,910
Calvary Episcopal Church	0.000%	-	0.086%	17,386
Calvary Episcopal Continuing Education Fund	0.229%	29,852	0.000%	-
Calvary Episcopal Foundation Trust Fund	0.542%	70,576	0.367%	74,667
Calvary Episcopal Homeless Ministry Fund	0.383%	49,872	0.000%	-
Calvary Episcopal Stapel Trust Fund	0.346%	45,085	0.374%	76,086
Christ - Arthur Lichtenberger Endowment Fd	0.756%	98,367	0.483%	98,145
Christ - Chapter Funds	1.105%	143,877	1.027%	208,776
Christ Endowment Fund of Christ Church Cathedral	31.055%	4,041,924	14.505%	2,947,557
Christ Church-Rolla Endowment (Reinvest)	0.266%	34,639	0.388%	78,865
Church of the Good Shepherd Foundation	0.761%	99,011	0.649%	131,884
Church of the Good Shepherd Foundation Operating	0.134%	17,468	0.094%	19,138
Emmanuel Church Foundation Endowment Fd	10.193%	1,326,636	7.953%	1,616,128
Emmanuel Church Foundation Mission Fund	0.371%	48,338	0.305%	61,978
Episcopal City Mission	0.966%	125,637	1.405%	285,404
Grace Episcopal Church Jefferson City	0.184%	23,883	0.190%	38,709
Grace Hill Trust (Reinvest)	0.000%	47	0.001%	131
Mission Fund of the Episcopal Church	0.149%	19,371	0.179%	36,421
St. Francis Episcopal Church (Reinvest)	0.000%	-	0.056%	11,468
St. John's Church of Eolia	0.035%	4,375	0.056%	11,465
St. John's Episcopal Church	0.160%	20,782	0.000%	-
St. Martin's Episcopal Church	0.004%	539	0.014%	2,892
St. Matthew's Episcopal Church	0.094%	12,235	0.121%	24,488
St. Peter's Episcopal Church	0.000%	-	0.570%	115,901
The Ross-Mitchell Fund (Reinvest)	0.210%	27,387	0.492%	99,798
The Thelma Caskey Memorial Fund (Reinvest)	0.134%	17,287	0.176%	35,592
Trinity Episcopal Church of Desoto	0.249%	32,472	0.000%	-
 Total Church Funds	 <u>49.014%</u>	 <u>6,379,236</u>	 <u>31.516%</u>	 <u>6,404,222</u>

Diocesan Investment Trust of the Episcopal Diocese of Missouri
SCHEDULE OF CONGREGATIONAL HOLDINGS
December 31, 2013
(Continued)

	Bond Fund		Equity Fund	
	% Shares Held	Market Value	% Shares Held	Market Value
Diocesan White Loan Investment Acct	22.043%	\$ 2,868,879	26.808%	\$ 5,447,466
Diocese - Aged & Infirm Clergy Fund	3.529%	459,333	4.964%	1,008,647
Diocese - Agnes & Grace Muller Trust	0.443%	57,658	0.577%	117,282
Diocese - All Saints of Farmington	0.260%	33,781	0.021%	4,215
Diocese - Cadigan Fellowship	0.505%	65,705	0.752%	152,884
Diocese - Campus Ministry Fund	1.226%	159,597	1.812%	368,243
Diocese - Church Endowment Assistance Fund	1.773%	230,756	2.837%	576,444
Diocese - CoedMo Unrestricted Fund	2.995%	389,866	4.291%	871,954
Diocese - Donaldson Endowment	3.470%	451,562	5.044%	1,024,872
Diocese - Donaldson Endowment Inv Income	0.649%	84,457	1.018%	206,841
Diocese - Episcopal Women Endowment Fund	0.054%	7,083	0.211%	42,839
Diocese - Future Bishop/Transition Fd	0.369%	48,000	0.408%	82,935
Diocese - Future Mission Fund	2.944%	383,214	4.149%	843,129
Diocese - Lui Fund	0.260%	33,837	0.214%	43,385
Diocese - New Ministries for Least	2.799%	364,330	4.318%	877,362
Diocese - New Ministries on Campus	2.799%	364,330	4.318%	877,362
Diocese - New Witness Fund	1.238%	161,074	1.746%	354,834
Diocese - St. Francis Building Fund	0.077%	10,012	0.110%	22,432
Diocese - Theological Education Fund	0.594%	77,341	0.846%	171,890
Diocese - Thompson Invested Income	1.061%	138,053	1.049%	213,230
Diocese - William A. Jones, Jr. Endowment	0.117%	15,240	0.185%	37,580
Bishop - Louis Woltman Fund	1.374%	178,795	1.975%	401,384
Bishop Lichtenberger	0.012%	1,624	0.025%	5,179
Bishop Permanently Restricted Funds	0.395%	51,411	0.806%	163,836
Total Diocesan Funds	<u>50.986%</u>	<u>6,635,938</u>	<u>68.484%</u>	<u>13,916,225</u>
Total Congregational Holdings	<u>100.000%</u>	<u>\$ 13,015,174</u>	<u>100.000%</u>	<u>\$ 20,320,447</u>