

**Investment Fund of the  
Diocese of Long Island  
Balanced Fund**

**Financial Statements and  
Supplemental Schedule  
December 31, 2010**

**Investment Fund of the Diocese of Long Island  
Balanced Fund  
Contents  
December 31, 2010**

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## Report of Independent Auditors

To the Trustees of the Estate Belonging to the Diocese of Long Island:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets present fairly, in all material respects, the financial position of the Investment Fund of The Diocese of Long Island Balanced Fund (the "Fund"), at December 31, 2010, and the results of its operations and changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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 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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

November 18, 2011

**Investment Fund of the Diocese of Long Island  
Balanced Fund  
Statement of Assets and Liabilities  
December 31, 2010**

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**Assets**

|   |                   |
|---|-------------------|
| Investments, at fair value (cost, \$81,228,078) | \$ 96,901,638     |
| Cash and cash equivalents                       | 121,425           |
| Dividends and accrued interest receivable       | 44,657            |
| Shares pending redemption                       | <u>57,726</u>     |
| Total assets                                    | <u>97,125,446</u> |

**Liabilities**

|  |                |
|--|----------------|
| Dividends payable                          | 354,075        |
| Oversubscription to Investment Fund Shares | 42,769         |
| Accrued expenses                           | <u>102,106</u> |
| Total liabilities                          | <u>498,950</u> |

|   |                      |
|---|----------------------|
| Net unrestricted assets (equivalent to net asset value and redemption price per share of \$532.40 based on 181,491 shares of beneficial interest outstanding at year-end) | <u>\$ 96,626,496</u> |
|---|----------------------|

The accompanying notes are an integral part of the financial statements.

**Investment Fund of the Diocese of Long Island  
Balanced Fund  
Statement of Operations  
Year Ended December 31, 2010**

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|   |                   |                      |
|---|-------------------|----------------------|
| <b>Investment income</b>  |                   |                      |
| Interest and dividends  |                   | \$ 1,293,138         |
| <b>Expenses</b>   |                   |                      |
| Fees and expenses of investment advisors and<br>dividend-disbursing agent |                   | 502,753              |
| General and administrative  |                   | <u>25,841</u>        |
| Total expenses  |                   | <u>528,594</u>       |
| Net investment income   |                   | <u>764,544</u>       |
| <b>Realized gains and changes<br/>in unrealized appreciation</b>          |                   |                      |
| Realized gains from investment transactions                               |                   |                      |
| Proceeds from sales of investments  | \$ 36,889,109     |                      |
| Cost of securities sold   | <u>36,768,306</u> |                      |
| Net realized gain   |                   | 120,803              |
| Unrealized appreciation of investments                                    |                   |                      |
| Beginning of year   | 4,949,688         |                      |
| End of year   | <u>15,673,561</u> |                      |
| Change in unrealized appreciation   |                   | <u>10,723,873</u>    |
| Net realized gains and change<br>in unrealized appreciation               |                   | <u>10,844,676</u>    |
| Net increase in net assets from operations                                |                   | <u>\$ 11,609,220</u> |

The accompanying notes are an integral part of the financial statements.

**Investment Fund of the Diocese of Long Island  
Balanced Fund  
Statement of Changes in Net Assets  
Year Ended December 31, 2010**

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|   |                      |
|---|----------------------|
| Net increase in net assets from operations                            | \$ 11,609,220        |
| Dividends to shareholders   | <u>(4,322,271)</u>   |
| Net increase in net assets from<br>operations after dividends         | <u>7,286,949</u>     |
| <b>Capital transactions</b>   |                      |
| Proceeds from subscriptions to purchase shares of beneficial interest | 3,480,426            |
| Redemption of shares of beneficial interest                           | <u>(3,484,156)</u>   |
| Decrease in net assets from capital transactions                      | <u>(3,730)</u>       |
| Net increase in net assets  | 7,283,219            |
| <b>Net assets</b>   |                      |
| Beginning of year   | <u>89,343,277</u>    |
| End of year   | <u>\$ 96,626,496</u> |

The accompanying notes are an integral part of the financial statements.

# Investment Fund of the Diocese of Long Island

## Balanced Fund

### Notes to Financial Statements

#### December 31, 2010

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#### 1. Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Investment Fund of The Diocese of Long Island, Balanced Fund (the "Fund").

##### **Organization**

The Fund is an investment company maintained by the Diocese of Long Island ("Diocese"). It manages and invests the funds of the Diocese and its affiliates, including the parish and mission congregations served. The Fund is managed by the Trustees of the Estate Belonging to The Diocese of Long Island ("Trustees").

Investors may subscribe to shares of the Fund or redeem those shares on a monthly basis. If the investment does not equal the cost of one share, the remainder is recorded as an oversubscription in the statement of assets and liabilities. Subscriptions not completed at year end are recorded as funds received for investment in the statement of assets and liabilities. Redemptions not completed at year end are recorded as shares pending redemption.

At December 31, 2010, there were \$42,769 of subscriptions for shares in excess of an amount equal to the purchase price of a whole number of shares and \$57,726 disbursed awaiting redemption of shares.

##### **Basis of Presentation**

The financial statements are presented in accordance with accounting principles generally accepted for private investment companies.

##### **Cash and Cash Equivalents**

The Diocese considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents, except for those short-term investments managed by the Diocese's investment managers as part of their long-term investment.

The Diocese maintains a majority of its cash and cash equivalents with one financial institution, and generally, such cash and cash equivalents are in excess of federal insurance limits.

##### **Valuation of Investments/Revenue Recognition**

Investments of the Fund are valued at fair value and are recorded on a trade date basis. Securities listed on national exchanges are valued at closing sales prices or, in the absence of recorded sales, at the mean of the closing bid and asked prices on such exchanges. Over-the-counter securities are valued at the mean of the closing bid prices on December 31. Other investments, consisting primarily of mortgages and loans, are stated at cost which approximates estimated fair value. Cash equivalents include all purchased highly liquid financial instruments with an original maturity of three months or less.

Alternative investments include investments in limited partnerships and hedge funds and are carried at fair value. Fair value is estimated by management of the alternative investment partnership or fund. Because alternative investments may not be readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material. Certain of the partnerships enter into contractual commitments including futures and option contracts and other derivative financial instruments. These contracts are valued by the partnerships at the last reported sales price and involve elements of market risk in excess of the amounts recognized on

# Investment Fund of the Diocese of Long Island

## Balanced Fund

### Notes to Financial Statements

#### December 31, 2010

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the partnership statement of financial condition. Risks arise from the potential changes in securities values and interest rates. The Fund records its share of the net income or loss for the accounting period in proportion to its participating percentage in each partnership.

Purchases and sales of securities are reflected on a trade date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded as earned on an accrual basis.

Unrealized gains and losses are determined by comparison of specific costs of acquisition to market values at the last day of the fiscal year.

#### **Calculation of Gains or Losses on Investments**

Net realized gains or losses on sales of investments are recorded on the trade date and are determined on the basis of average cost.

#### **Distributions**

The Fund pays a dividend based on a rolling 36 month average market value per share of beneficial interest, regardless of the actual return on investments. The rate is determined by subtracting from expected total return a factor for inflation and a factor for administrative expense. In 2010 the dividend rate was 4.50%. The rate is subject to review as conditions warrant.

#### **Tax Exempt Status**

The Fund is exempt from registration as an investment company under the Investment Company Act of 1940 since it is operated by an institution organized and operated exclusively for religious purposes and only similarly exempt organizations are eligible to participate in the Fund. As such, the income earned by the participants in the Fund is exempt from federal income tax.

#### **Credit Risk**

Credit risk is the possibility that loss may occur from a failure of a counterparty to a financial instrument to perform according to the terms of a contract. Collateral or other security is not required by the Fund to support financial instruments with credit risk, primarily investments in the Revolving Loan Fund and Socially Responsible Investments. The maximum loss from such investments is limited to amounts recorded in the financial statements.

#### **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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates relate to the realizability and valuation of certain investments. Actual results could differ from those estimates.

## **2. Purchases and Sales of Investment Securities**

The aggregate purchases and reinvested income and proceeds from sales of investments for the year ended December 31, 2010 were \$33,457,802 and \$36,899,109, respectively.

# Investment Fund of the Diocese of Long Island

## Balanced Fund

### Notes to Financial Statements

#### December 31, 2010

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### 3. Fair Value Measurements

In assessing the fair value of financial instruments, the Fund has used a variety of methods and assumptions, which were based on estimates of market conditions and risks existing at the time. The fair value of financial instruments, including cash and cash equivalents and accrued expenses, approximate their carrying value because of the current nature of these instruments. The carrying value of investments have been measured at fair value.

Assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are as follows:

| <u>Level Input</u> | <u>Level Definition</u>  |
|--------------------|--|
| Level 1            | Unadjusted, quoted market prices in active markets for identical assets.   |
| Level 2            | Inputs other than quoted market prices included in Level 1 that are observable for the asset through corroboration with market data at the measurement date.                                       |
| Level 3            | Unobservable inputs that are supported by little or no market activity that reflect management's best estimate of what market participants would use in pricing the asset at the measurement date. |

The fair value of actively traded debt and equity securities is based on quoted market prices. Privately held debt and equity securities are estimated using a variety of valuation methodologies, including both market and income approaches, where an observable quoted market does not exist and are generally classified as Level 3.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated within investing in those investments.

Fair value estimates are made at a point in time, based on relevant market data as well as the best information available about the financial instrument. Fair value estimates for financial instruments for which no or limited observable market data is available are based on judgments regarding current economic conditions, liquidity discounts, currency, credit and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgments and cannot be determined with precision. As a result, such calculated fair value estimates may not be realizable in a current sale or immediate settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks, and estimates of future cash flows, could significantly affect these fair value estimates. Because of the inherent uncertainty of valuation, including Level 3 input risks, this estimated value may differ from the value that would have been used had a ready market for these investments existed, and the differences could be material.

**Investment Fund of the Diocese of Long Island  
Balanced Fund  
Notes to Financial Statements  
December 31, 2010**

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The Fund's alternative investments, which have been assessed using Level 3 inputs, consist of a variety of limited liability investment entities, with a variety of investment strategies. These investment funds primarily invest in marketable securities and derivative financial instruments. These investment funds are carried at estimated fair value as determined by the Investment Manager. The Investment Manager bases the estimated fair value of these investment funds on the underlying fund's net asset value, an analysis of the underlying investments and financial information of the entities.

The Fund has a \$3.3 million investment in a liquidating partnership, classified as Level 3 alternative investment. This liquidating partnership will distribute a percentage of its net assets each year, until fully liquidated.

The Fund assessed the fair value of its loans and mortgages receivable and its socially responsible investments based on historical experience with such parties and the underlying interest rates of such agreements.

The following table summarizes fair value measurements of the Fund's investments at December 31, 2010:

|                               | Fair Value           | Level 1              | Level 2     | Level 3              |
|-------------------------------|----------------------|----------------------|-------------|----------------------|
| <b>Investments</b>            |                      |                      |             |                      |
| Cash and cash equivalents     | \$ 113,833           | \$ 113,833           | \$ -        | \$ -                 |
| Common stock                  | 9,872,167            | 9,872,167            | -           | -                    |
| Mutual fund equity securities | 19,364,231           | 19,364,231           | -           | -                    |
| Mutual fund debt securities   | 9,785,587            | 9,785,587            | -           | -                    |
| REITS                         | 2,555,394            | 2,555,394            | -           | -                    |
| Alternative investments       | 55,083,649           | -                    | -           | 55,083,649           |
| Revolving Loan Fund           | 126,777              | -                    | -           | 126,777              |
| Total investments             | <u>\$ 96,901,638</u> | <u>\$ 41,691,212</u> | <u>\$ -</u> | <u>\$ 55,210,426</u> |

The changes in fair value measured using significant unobservable inputs (Level 3) for the year ended December 31, 2010 were as follows:

|                                     |                      |
|-------------------------------------|----------------------|
| <b>Balance at January 1, 2010</b>   | \$ 49,283,855        |
| Purchases or reinvestments          | 5,170,860            |
| Sales of shares                     | (5,303,022)          |
| Realized net gains                  | 1,769,288            |
| Unrealized gains                    | 4,325,181            |
| Collections on loans receivable     | <u>(35,736)</u>      |
| <b>Balance at December 31, 2010</b> | <u>\$ 55,210,426</u> |

# **Investment Fund of the Diocese of Long Island**

## **Balanced Fund**

### **Notes to Financial Statements**

#### **December 31, 2010**

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#### **4. Investment Fees**

The Fund pays fees quarterly for investment management, custodial and advisory services under management agreements with the following: State Street Global Advisors at a rate of 0.85%, Principal Global Advisors at a rate of 0.75%, Artio Global at a rate of .80%, Globalflex at a rate of .75%, and Hall Capital at a rate of .85%.

In addition, the fund pays annual fees for investment management, custodial and advisory services for the following investment managers: J.P. Morgan Investment Management, Inc. at a rate of .5% of the market value of the Fund Investment and AEW Capital Management at the rate of 20% of the difference between RMS and the Fund's performance.

The Diocese also pays an annual fee of \$95,000 to Evaluation Associates, for investment management evaluation and consulting services.

Investment fees for all services amounted to approximately \$416,000 for the year ended December 31, 2010.

#### **5. Other Investments**

In 1989, the Trustees established a Revolving Loan Fund Program, not to exceed \$4.5 million in the aggregate, to assist parishes in the financing of renovation and building projects above that available through the Episcopal Church Building Fund. The balance of the outstanding loan under this program totaled \$126,777 at December 31, 2010 and is included in investments. Repayment of the loan is at an interest rate of 4.00% and is guaranteed by the Trustees from other financial resources under their management.

#### **6. Socially Responsible Investments**

In accordance with a resolution passed at a special meeting of the shareholders of the Fund in December 1993, up to five percent of the assets of the Fund may be invested in community-based economic justice initiatives which address housing, employment, land use and community banking, with the understanding that the investments could have either lower than market returns or higher risk, or both. The carrying value of the investments is cost, which approximates fair value as determined by management, since these investments do not have readily determinable market values. Reserves for any losses are provided based on known conditions indicating any potential impairment value. No socially responsible investments were outstanding at December 31, 2010.

#### **7. Related Parties**

Certain administrative costs, principally record keeping fees, incurred by the Diocese and allocated to the Fund amounted to approximately \$87,000 for the year ended December 31, 2010.

#### **8. Subsequent Events**

The Fund evaluated all events or transactions that occurred through November 18, 2011, which is the date financial statements were available for issuance, and have included any required adjustments or disclosures in these financial statements.

**Investment Fund of the Diocese of Long Island  
Balanced Fund  
Schedule of Investments  
December 31, 2010**

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| <b>Common stocks</b>             | <b>Number<br/>of Shares</b> | <b>Cost</b>       | <b>Fair<br/>Value</b> |
|----------------------------------|-----------------------------|-------------------|-----------------------|
| <b>Utilities</b>                 |                             |                   |                       |
| American Water Works Co Inc      | 2,380                       | \$ 51,418         | \$ 60,190             |
| Edison International             | 10                          | 372               | 386                   |
| Nextera Energy Inc               | 1,845                       | 94,455            | 95,922                |
| Nv Energy Inc                    | 4,820                       | 66,046            | 67,721                |
| P G & E Corp                     | 980                         | 42,469            | 46,883                |
| Scana Corp                       | 1,680                       | 62,984            | 68,208                |
| Sempra Energy                    | 700                         | 35,760            | 36,736                |
| Total Utilities (3.81%)          |                             | <u>\$ 353,504</u> | <u>\$ 376,046</u>     |
| <b>Telecommunications</b>        |                             |                   |                       |
| AT&T Inc                         | 2,180                       | \$ 57,608         | \$ 64,048             |
| DirecTV-Class A                  | 1,040                       | 38,262            | 41,527                |
| Sprint Nextel Corp               | 21,840                      | 90,105            | 92,383                |
| Time Warner Cable                | 997                         | 50,238            | 65,832                |
| Verizon Communications Inc       | 7,252                       | 234,575           | 259,477               |
| Total Telecommunications (5.30%) |                             | <u>\$ 470,788</u> | <u>\$ 523,267</u>     |
| <b>Capital Markets</b>           |                             |                   |                       |
| Capital One Financial Corp       | 2,101                       | \$ 85,659         | \$ 89,419             |
| Citigroup Inc                    | 55,660                      | 229,046           | 263,272               |
| Goldman Sachs Group Inc          | 1,340                       | 196,488           | 225,334               |
| Mastercard Inc-Class A           | 130                         | 28,258            | 29,134                |
| Morgan Stanley                   | 5,470                       | 153,690           | 148,839               |
| State Street Corp                | 2,230                       | 90,855            | 103,338               |
| TD Ameritrade Holding Corp       | 2,880                       | 45,334            | 54,691                |
| Total Capital Markets (9.26%)    |                             | <u>\$ 829,330</u> | <u>\$ 914,027</u>     |

**Investment Fund of the Diocese of Long Island  
Balanced Fund  
Schedule of Investments (Continued)  
December 31, 2010**

| <b>Common stocks</b>         | <b>Number<br/>of Shares</b> | <b>Cost</b>  | <b>Fair<br/>Value</b> |
|------------------------------|-----------------------------|--------------|-----------------------|
| <b>Finance</b>               |                             |              |                       |
| Bank of America Corp         | 15,350                      | \$ 263,744   | \$ 204,769            |
| BB&T Corp                    | 3,880                       | 110,486      | 102,005               |
| Comerica Inc                 | 1,550                       | 56,711       | 65,472                |
| Huntington Bancshares Inc    | 4,400                       | 27,996       | 30,228                |
| New York Community Bancorp   | 2,290                       | 33,238       | 43,167                |
| US Bancorp                   | 2,950                       | 68,156       | 79,562                |
| Wells Fargo & Co             | 13,168                      | 378,540      | 408,076               |
| Zions Bancorporation         | 1,070                       | 24,367       | 25,926                |
|                              |                             | \$ 963,238   | \$ 959,205            |
| Total Finance (9.72%)        |                             |              |                       |
| <b>Insurance</b>             |                             |              |                       |
| Ace Ltd                      | 1,940                       | \$ 101,769   | \$ 120,765            |
| Aflac Inc                    | 2,210                       | 106,063      | 124,710               |
| Berkshire Hathaway Inc-CI B  | 840                         | 67,521       | 67,292                |
| Genworth Financial Inc-CI A  | 1,070                       | 13,904       | 14,060                |
| Metlife Inc                  | 3,190                       | 140,323      | 141,764               |
| Prudential Financial Inc     | 2,615                       | 124,967      | 153,527               |
| Unitedhealth Group Inc       | 4,140                       | 131,828      | 149,495               |
| Wellpoint Inc                | 2,055                       | 115,235      | 116,847               |
|                              |                             | \$ 801,610   | \$ 888,460            |
| Total Insurance (9.00%)      |                             |              |                       |
| <b>Healthcare</b>            |                             |              |                       |
| Abbott Laboratories          | 3,030                       | \$ 152,895   | \$ 145,167            |
| Biogen Idec Inc              | 1,600                       | 82,813       | 107,280               |
| Celgene Corp                 | 1,450                       | 81,271       | 85,753                |
| Covidien Plc                 | 1,300                       | 56,826       | 59,358                |
| Cvs Caremark Corp            | 5,620                       | 194,284      | 195,407               |
| Johnson & Johnson            | 990                         | 58,666       | 61,232                |
| Mckesson Corp                | 360                         | 19,949       | 25,337                |
| Merck & Co. Inc.             | 9,510                       | 338,995      | 342,740               |
| Pfizer Inc                   | 12,160                      | 194,630      | 212,922               |
| Thermo Fisher Scientific Inc | 650                         | 33,059       | 35,984                |
|                              |                             | \$ 1,213,388 | \$ 1,271,180          |
| Total Healthcare (12.88%)    |                             |              |                       |

Percentages above represent the category as compared to total common stock.

**Investment Fund of the Diocese of Long Island  
Balanced Fund  
Schedule of Investments (Continued)  
December 31, 2010**

| <b>Common stocks</b>        | <b>Number<br/>of Shares</b> | <b>Cost</b>       | <b>Fair<br/>Value</b> |
|-----------------------------|-----------------------------|-------------------|-----------------------|
| <b>Media</b>                |                             |                   |                       |
| CBS Corp-Class B Non Voting | 950                         | \$ 14,797         | \$ 18,098             |
| Gannett Co                  | 2,960                       | 47,844            | 44,666                |
| Time Warner Inc             | 6,826                       | 217,333           | 219,592               |
| Walt Disney Co              | 4,490                       | 148,459           | 168,420               |
| Total Media (4.57%)         |                             | <u>\$ 428,433</u> | <u>\$ 450,776</u>     |
| <b>Consumer Products</b>    |                             |                   |                       |
| Campbell Soup Co            | 1,030                       | \$ 35,820         | \$ 35,793             |
| Carnival Corp               | 1,270                       | 49,593            | 58,560                |
| Coca-Cola Co/The            | 1,230                       | 64,824            | 80,897                |
| General Mills Inc           | 1,000                       | 32,272            | 35,590                |
| Hertz Global Holdings Inc   | 2,650                       | 29,047            | 38,399                |
| Johnson Controls Inc        | 2,570                       | 72,872            | 98,174                |
| Kohls Corp                  | 660                         | 35,575            | 35,864                |
| Kroger Co                   | 1,410                       | 30,754            | 31,528                |
| Lennar Corp-A               | 1,310                       | 19,029            | 24,563                |
| Lowe's Cos Inc              | 2,890                       | 73,108            | 72,481                |
| Procter & Gamble Co         | 4,970                       | 301,849           | 319,720               |
| Royal Caribbean Cruises Ltd | 850                         | 26,262            | 39,950                |
| Staples Inc                 | 3,090                       | 68,126            | 70,359                |
| Total Consumer (9.54%)      |                             | <u>\$ 839,131</u> | <u>\$ 941,878</u>     |
| <b>Industrial</b>           |                             |                   |                       |
| 3M Co                       | 110                         | \$ 9,492          | \$ 9,493              |
| Deere & Co                  | 840                         | 45,990            | 69,762                |
| Dow Chemical Co             | 3,140                       | 82,131            | 107,200               |
| Du Pont (E.I.) De Nemours   | 3,700                       | 144,507           | 184,556               |
| Eaton Corp                  | 580                         | 37,190            | 58,876                |
| Freeport-Mcmoran Copper     | 784                         | 56,366            | 94,151                |
| General Electric Co         | 3,089                       | 66,569            | 56,498                |
| Honeywell International Inc | 1,490                       | 58,323            | 79,208                |
| Joy Global Inc              | 360                         | 18,231            | 31,230                |
| Navistar International Corp | 1,250                       | 53,828            | 72,388                |
| Norfolk Southern Corp       | 2,060                       | 110,069           | 129,409               |
| Parker Hannifin Corp        | 810                         | 45,333            | 69,903                |
| Renaissancere Holdings Ltd  | 710                         | 38,462            | 45,220                |
| Tyco International Ltd      | 2,040                       | 70,546            | 84,538                |
| Union Pacific Corp          | 500                         | 31,975            | 46,330                |
| United Technologies Corp    | 10                          | 79,811            | 91,315                |
| Total Industrial (12.46%)   |                             | <u>\$ 948,823</u> | <u>\$ 1,230,077</u>   |

Percentages above represent the category as compared to total common stock.

**Investment Fund of the Diocese of Long Island  
Balanced Fund  
Schedule of Investments (Continued)  
December 31, 2010**

| <b>Common stocks</b>         | <b>Number<br/>of Shares</b> | <b>Cost</b>         | <b>Fair<br/>Value</b> |
|------------------------------|-----------------------------|---------------------|-----------------------|
| <b>Technology</b>            |                             |                     |                       |
| Broadcom Corp-CI A           | 510                         | \$ 17,730           | \$ 22,211             |
| Cisco Systems Inc            | 6,600                       | 149,733             | 133,518               |
| Corning Inc                  | 2,120                       | 39,497              | 40,958                |
| Hewlett-Packard Co           | 2,540                       | 111,296             | 106,934               |
| Intersil Corp-A              | 2,910                       | 41,247              | 44,436                |
| Marvell Technology Group Ltd | 1,070                       | 20,957              | 19,844                |
| Microsoft Corp               | 9,150                       | 240,134             | 255,468               |
| Novellus Systems Inc         | 730                         | 18,986              | 23,594                |
| Xilinx Inc                   | 1,710                       | 47,208              | 49,556                |
| Total Technology (7.06%)     |                             | <u>\$ 686,788</u>   | <u>\$ 696,519</u>     |
| <b>Energy</b>                |                             |                     |                       |
| Anadarko Petroleum Corp      | 760                         | \$ 45,337           | \$ 57,882             |
| Apache Corp                  | 1,730                       | 173,639             | 206,268               |
| Baker Hughes Inc             | 1,460                       | 74,036              | 83,468                |
| Cameron International Corp   | 390                         | 19,233              | 19,785                |
| Chevron Corp                 | 3,620                       | 270,828             | 330,325               |
| Conocophillips               | 3,130                       | 156,542             | 213,153               |
| Devon Energy Corporation     | 1,430                       | 93,114              | 112,269               |
| Eog Resources Inc            | 780                         | 78,918              | 71,300                |
| Noble Energy Inc             | 360                         | 29,999              | 30,989                |
| Occidental Petroleum Corp    | 1,865                       | 143,678             | 182,957               |
| Peabody Energy Corp          | 810                         | 36,093              | 51,824                |
| Williams Cos Inc             | 2,490                       | 53,274              | 61,553                |
| Total Energy (14.40%)        |                             | <u>\$ 1,174,691</u> | <u>\$ 1,421,773</u>   |
| <b>REITS</b>                 |                             |                     |                       |
| Camden Property Trust        | 202                         | \$ 10,003           | \$ 10,904             |
| Digital Realty Trust Inc     | 530                         | 32,409              | 27,316                |
| Lexington Realty Trust       | 5,120                       | 33,562              | 40,704                |
| Mack-Cali Realty Corp        | 320                         | 10,621              | 10,579                |
| Prologis                     | 790                         | 9,859               | 11,408                |
| Total REITS (1.02%)          |                             | <u>\$ 96,454</u>    | <u>\$ 100,911</u>     |
| <b>Other</b>                 |                             |                     |                       |
| General Motors Co            | 2,660                       | \$ 89,183           | \$ 98,048             |
| Total Other (0.98%)          |                             | <u>\$ 89,183</u>    | <u>\$ 98,048</u>      |
| Total Common Stocks          |                             | <u>\$ 8,895,361</u> | <u>\$ 9,872,167</u>   |

Percentages above represent the category as compared to total common stock.

**Investment Fund of the Diocese of Long Island  
Balanced Fund  
Schedule of Investments (Continued)  
December 31, 2010**

|  | Number<br>of Shares | Cost                 | Fair<br>Value        |
|--|---------------------|----------------------|----------------------|
| <b>Cash Held by Investment Managers</b>                      |                     |                      |                      |
| JP Morgan Chase  |                     | \$ 113,833           | \$ 113,833           |
| Total Cash   |                     | <u>\$ 113,833</u>    | <u>\$ 113,833</u>    |
| <b>REITS</b>   |                     |                      |                      |
| Cohen & Steers International Realty Fund Class I             | 229,389             | \$ 3,592,315         | \$ 2,555,394         |
| Total Fixed Income   |                     | <u>\$ 3,592,315</u>  | <u>\$ 2,555,394</u>  |
| <b>Fixed Income</b>  |                     |                      |                      |
| PIMCO Total Return Fund                                      | 901,897             | \$ 9,508,689         | \$ 9,785,587         |
| Total Fixed Income   |                     | <u>\$ 9,508,689</u>  | <u>\$ 9,785,587</u>  |
| <b>Mutual Funds</b>  |                     |                      |                      |
| Ironbridge Small Cap Fund                                    | 608,747             | \$ 9,407,060         | \$ 10,567,846        |
| Montag & Caldwell Growth Fund Class I                        | 363,037             | 4,473,982            | 8,796,385            |
| Total Mutual Funds   |                     | <u>\$ 13,881,042</u> | <u>\$ 19,364,231</u> |
| <b>Alternative Investments</b>                               |                     |                      |                      |
| AEW Cap Mgt Real Estate Secs Long/Short Fd                   | 28,288              | \$ 4,104,612         | \$ 6,605,109         |
| Artio International Equity Fund II LLC                       |                     | 7,532,310            | 8,285,499            |
| Columbus Circle Investors LgCap Growth Equity Fd             | 1,083,553           | 8,856,681            | 9,611,931            |
| Crestline Offshore Fund, Ltd Class D                         | 40,250              | 4,761,042            | 5,835,321            |
| GlobeFlex International All Cap Commingled Trust             | 1,010,474           | 7,069,864            | 8,263,386            |
| Hall Capital Partners Absolute Return Fund                   |                     | 3,095,873            | 3,818,629            |
| Rexiter Active Emerging Markets Common Trust Fund            | 307,403             | 5,842,701            | 9,331,841            |
| Silver Creek Low Vol Strategies II                           | 27,572              | 3,846,978            | 3,331,933            |
| Total Alternative Investments                                |                     | <u>\$ 45,110,061</u> | <u>\$ 55,083,649</u> |
| <b>Other Investments</b>                                     |                     |                      |                      |
| <b>Revolving Loan Fund</b>                                   |                     |                      |                      |
| St. Jude, Wantagh  |                     | \$ 126,777           | \$ 126,777           |
| Total Revolving Loan Fund                                    |                     | <u>\$ 126,777</u>    | <u>\$ 126,777</u>    |
| <b>Socially Responsible Investments</b>                      |                     |                      |                      |
| Leviticus 25:23 Alternative Fund (2% subvention certificate) |                     | \$ -                 | \$ -                 |
| Total Socially Responsible Investments                       |                     | <u>\$ -</u>          | <u>\$ -</u>          |
| Total Other Investments                                      |                     | <u>\$ 126,777</u>    | <u>\$ 126,777</u>    |
| Total Investments  |                     | \$ 81,228,078        | \$ 96,901,638        |
| Other Assets and Liabilities, Net                            |                     | (275,142)            | (275,142)            |
| Total Net Assets   |                     | <u>\$ 80,952,936</u> | <u>\$ 96,626,496</u> |

**Investment Fund of the Diocese of Long Island  
Balanced Fund  
Schedule of Investments, at Fair Value  
December 31, 2010**

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|                                   | <b>Fair Value</b>    | <b>%</b>       |
|-----------------------------------|----------------------|----------------|
| Cash                              | \$ 113,833           | 0.12%          |
| Common Stocks                     | 9,872,167            | 10.22%         |
| Debt Securities                   | 9,785,587            | 10.13%         |
| REITS                             | 2,555,394            | 2.64%          |
| Mutual Funds                      | 19,364,231           | 20.04%         |
| Alternative Investments           | 55,083,649           | 57.01%         |
| Revolving Loan Fund               | <u>126,777</u>       | <u>0.13%</u>   |
| Total investments                 | 96,901,638           | 100.29%        |
| Other Assets and Liabilities, Net | <u>(275,142)</u>     | <u>-0.29%</u>  |
| Total Net Assets                  | <u>\$ 96,626,496</u> | <u>100.00%</u> |



## Report of Independent Auditors on Supplemental Schedule

To the Trustees of the Estate Belonging to The Diocese of Long Island:

Our report on the audit of the financial statements of the Investment Fund of The Diocese of Long Island Balanced Fund as of December 31, 2010 and for the year then ended appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for each of the seven years in the period ended December 31, 2010 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

November 18, 2011

**Investment Fund of the Diocese of Long Island**  
**Balanced fund**  
**Supplementary Information**  
**December 31, 2010**

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The following data is based upon weighted average beneficial interest shares outstanding throughout each period:

|   | <b>2010</b>   | <b>2009</b>   | <b>2008</b>      | <b>2007</b>   | <b>2006</b>   | <b>2005</b>   | <b>2004</b>   |
|---|---------------|---------------|------------------|---------------|---------------|---------------|---------------|
| Investment income   | \$ 7.111      | \$ 10.159     | \$ 10.682        | \$ 32.919     | \$ 22.430     | \$ 19.049     | \$ 18.630     |
| Expenses  | 2.907         | 2.957         | 3.628            | 3.184         | 2.712         | 2.490         | 2.296         |
| Dividends to shareholders   | (23.770)      | (26.323)      | (28.030)         | (26.462)      | (24.535)      | (22.991)      | (30.780)      |
| Net realized (losses) gains and change<br>in unrealized appreciation (depreciation) | <u>59.639</u> | <u>96.852</u> | <u>(237.207)</u> | <u>16.927</u> | <u>79.204</u> | <u>25.604</u> | <u>43.079</u> |
| <b>Ratio to average net assets</b>  |               |               |                  |               |               |               |               |
| Expenses  | 0.57 %        | 0.65 %        | 0.67 %           | 0.48 %        | 0.44 %        | 0.44 %        | 0.40 %        |
| Net investment income   | 1.39 %        | 2.22 %        | 1.30 %           | 4.993 %       | 3.638 %       | 3.346 %       | 3.275 %       |
| <b>Number of shares outstanding</b>   |               |               |                  |               |               |               |               |
| Weighted average for the period   | 181,839       | 180,748       | 182,487          | 180,869       | 175,870       | 171,719       | 151,464       |
| <b>Net asset value based on<br/>year end shares</b>                                 |               |               |                  |               |               |               |               |
| Beginning of period   | \$ 492.062    | \$ 413.458    | \$ 671.370       | \$ 651.025    | \$ 577.177    | \$ 558.184    | \$ 532.851    |
| End of period   | \$ 532.404    | \$ 492.062    | \$ 413.458       | \$ 671.370    | \$ 651.025    | \$ 577.177    | \$ 558.184    |
| Increase (decrease) in net asset value  | \$ 40.342     | \$ 78.604     | \$ (257.912)     | \$ 20.345     | \$ 73.848     | \$ 18.993     | \$ 25.333     |