

Investment Fund of The Diocese of Long Island Balanced Fund

Financial Statements

December 31, 2020

Investment Fund of The Diocese of Long Island Balanced Fund

Table of Contents
December 31, 2020

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Assets and Liabilities	2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Condensed Schedule of Investments	6
Notes to Financial Statements	7

Independent Auditors' Report

To the Trustees of the Estate Belonging to the Diocese of Long Island
Investment Fund of the Diocese of Long Island Balanced Fund
Garden City, New York

We have audited the accompanying financial statements of the Investment Fund of the Diocese of Long Island Balanced Fund (the Fund), which comprise the statement of assets and liabilities including the condensed schedule of investments as of December 31, 2020 and the related statements of operations, changes in net assets, and cash flows 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 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund'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 Fund'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 Investment Fund of the Diocese of Long Island Balanced Fund at December 31, 2020, and the results of its operations, changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Baker Tilly US, LLP
New York, New York
February 9, 2022

Investment Fund of The Diocese of Long Island Balanced Fund

Statement of Assets and Liabilities

December 31, 2020

Assets

Investments, at fair value (cost \$143,058,898)	\$ 169,419,637
Cash and cash equivalents	<u>1,983,463</u>
Total assets	<u>171,403,100</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	118,991
Due to affiliates	<u>6,933,725</u>
Total liabilities	<u>7,052,716</u>
Net Assets	<u><u>\$ 164,350,384</u></u>

See notes to financial statements

Investment Fund of The Diocese of Long Island Balanced Fund

Statement of Operations

Year Ended December 31, 2020

Investment Income

Interest and dividend income	<u>\$ 3,221,549</u>
------------------------------	---------------------

Expenses

Fees and expenses of investment advisors	411,128
--	---------

General and administrative	<u>155,069</u>
----------------------------	----------------

Total expenses	<u>566,197</u>
----------------	----------------

Net investment income	<u>2,655,352</u>
-----------------------	------------------

Realized Gains

Proceeds from sales of investments	169,707,918
------------------------------------	-------------

Cost of investments sold	<u>140,268,968</u>
--------------------------	--------------------

Net realized gains	<u>29,438,950</u>
--------------------	-------------------

Unrealized Appreciation of Investments

Beginning of year	40,750,212
-------------------	------------

End of year	<u>26,360,739</u>
-------------	-------------------

Change in unrealized appreciation	<u>(14,389,473)</u>
-----------------------------------	---------------------

Net realized gains and change in unrealized appreciation of investments	<u>15,049,477</u>
---	-------------------

Net increase in net assets resulting from operations	<u><u>\$ 17,704,829</u></u>
--	-----------------------------

See notes to financial statements

Investment Fund of The Diocese of Long Island Balanced Fund

Statement of Changes in Net Assets

Year Ended December 31, 2020

Net Increase in Net Assets Resulting From Operations	<u>\$ 17,704,829</u>
Capital Transactions	
Proceeds from subscriptions to purchase shares of beneficial interest	2,545,490
Redemption of shares of beneficial interest	(12,412,409)
Dividends to beneficial interest holders	<u>(6,820,840)</u>
Decrease in net assets resulting from capital transactions	<u>(16,687,759)</u>
Net increase in net assets	1,017,070
Net Assets, Beginning	<u>163,333,314</u>
Net Assets, Ending	<u><u>\$ 164,350,384</u></u>

See notes to financial statements

Investment Fund of The Diocese of Long Island Balanced Fund

Statement of Cash Flows

Year Ended December 31, 2020

Cash Flows From Operating Activities

Net increase in net assets resulting from operations	\$ 17,704,829
Adjustments to reconcile net increase in net assets from operations to net cash flows from operating activities:	
Purchase of investments	(157,338,297)
Proceeds from disposition of investments	169,707,918
Change in unrealized depreciation on investments	14,389,473
Net realized gain on investments	(29,438,950)
Due to affiliates	4,135,653
Net change in receivables/payables related to operations	<u>(489,404)</u>
Net cash flows from operating activities	<u>18,671,222</u>

Cash Flows From Financing Activities

Proceeds from subscriptions to purchase shares of beneficial interest	2,545,490
Redemption of shares of beneficial interest	(12,412,409)
Dividends to beneficial interest holders	<u>(6,820,840)</u>
Net cash flows used in financing activities	<u>(16,687,759)</u>
Net change in cash and cash equivalents	1,983,463

Cash and Cash Equivalents, Beginning

-

Cash and Cash Equivalents, Ending

\$ 1,983,463

Investment Fund of The Diocese of Long Island Balanced Fund

 Condensed Schedule of Investments
 December 31, 2020

	Domicile	Number of Shares or Ownership Percentage	Cost	Fair Value	Percentage of Net Assets
Investments, at Fair Value					
Alternative Investments					
North America					
Blackstone Partners Offshore Fund - CC2 Shares	Cayman Islands	9,340	\$ 7,609,864	\$ 9,792,243	6.0%
Other			6,854,611	9,920,323	6.0%
Total North America			14,464,475	19,712,566	12.0%
Total Alternative Investments			14,464,475	19,712,566	12.0%
Mutual Funds					
North America					
Large Cap Equity					
Fidelity 500 Index		194,436	20,904,508	25,309,734	15.4%
Other			32,220,019	37,839,706	23.0%
Mid Cap Equity			1,832,711	2,296,594	1.4%
Commodities			7,096,697	7,683,816	4.7%
Real Estate			3,095,458	3,349,259	2.0%
Fixed Income					
Vanguard Total Bond Market		1,221,635	14,158,747	14,195,399	8.6%
Other			12,934,715	13,175,863	8.0%
Total North America			92,242,855	103,850,371	63.2%
Europe - Large Cap Equity					
Fidelity International Index		285,501	11,027,894	13,021,703	7.9%
Other			5,465,737	7,388,822	4.5%
Total Europe			16,493,631	20,410,525	12.4%
Japan - Large Cap Equity			3,213,029	3,891,767	2.4%
Asia ex-Japan - Large Cap Equity			4,937,440	6,605,658	4.0%
International			1,484,647	1,570,806	1.0%
Emerging Markets			10,222,821	13,377,944	8.1%
Total mutual funds			128,594,423	149,707,071	91.1%
Total investments, at fair value			143,058,898	169,419,637	103.1%
Other Assets and Liabilities, Net			(5,069,253)	(5,069,253)	-3.1%
Total net assets			\$ 137,989,645	\$ 164,350,384	100.0%

See notes to financial statements

Investment Fund of The Diocese of Long Island Balanced Fund

Notes to Financial Statements

December 31, 2020

1. Organization and Significant Accounting Policies

Organization

The Investment Fund of the Diocese of Long Island Balanced Fund (the Fund) is an investment company maintained by the Diocese of Long Island (Diocese) and is also a legal component of the Diocese. The Fund manages and invests the Funds solely 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).

Diocese investors may subscribe to interests in the Fund or redeem their interests on a monthly basis. 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. Income is allocated pro rata to each investor on a monthly basis based on their respective ownership interest.

The following is a summary of significant accounting policies followed by the Fund:

Basis of Presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), using the accrual basis of accounting. The Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 946, *Financial Services - Investment Companies*.

Cash and Cash Equivalents

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

The Fund maintains a majority of its cash and cash equivalents with two financial institutions, and generally, such cash and cash equivalents are in excess of federal insurance limits. There have been no historical losses with respect to balances held in excess of federal insurance limits.

Valuation of Investments/Revenue Recognition

Investments of the Fund are reported 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.

Alternative investments include investments in limited partnerships and hedge funds and are carried at fair value using the net asset value per share practical expedient. These investments are not categorized within the fair value hierarchy. 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 involve elements of market risk in excess of the amounts recognized on 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.

Investment Fund of The Diocese of Long Island Balanced Fund

Notes to Financial Statements

December 31, 2020

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.

Dividends

The Fund pays a monthly 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 2020, the dividend rate was 4.5 percent. The rate is subject to review as conditions warrant. Dividends may be re-invested into the Fund at the discretion of the investor. Dividends of \$377,000 were reinvested during the year ended December 31, 2020.

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.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. 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 has 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:

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 including similar assets in less active markets.

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.

Investment Fund of The Diocese of Long Island Balanced Fund

Notes to Financial Statements

December 31, 2020

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, 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.

The Fund's alternative investments consist of investments in limited liability investment funds, with a variety of investment strategies. These investment funds are managed by external managers and primarily invest in marketable securities and derivative financial instruments. These investment funds are carried at estimated fair value as determined by the Fund's investment manager. The Fund's 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 following table summarizes fair value measurements of the Fund's investments at December 31, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments Measured at Net Asset Value</u>
Investments:					
Mutual funds	\$ 149,707,071	\$ 149,707,071	\$ -	\$ -	\$ -
Alternative investments	<u>19,712,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,712,566</u>
Total Investments	<u>\$ 169,419,637</u>	<u>\$ 149,707,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,712,556</u>

The following table presents a summary of investments greater than 5 percent of net assets as measured at fair value using the net asset value per share (or its equivalent) of such investments as a practical expedient for fair value as of December 31, 2020:

	<u>Blackstone Partners Offshore Fund - CC2 Shares</u>
Fair value at December 31, 2020	\$ 9,792,243
Investment Strategy	Multi-strategy (a)
Remaining Life	N/A
Unfunded Commitments	None
Redemption Terms	95 days notice
Redemption Restrictions	None

(a) This fund investments primarily in non-traditional investment funds, including, but not limited to, multi-category, credit-driven, equity, and relative value.

The Fund has an aggregate commitment of \$10,000,000 in one of its alternative investments. The total unfunded commitment as of December 31, 2020 was \$9,116,002.

Investment Fund of The Diocese of Long Island Balanced Fund

Notes to Financial Statements

December 31, 2020

3. Fees and Expenses of Investment Advisors

The Fund pays fees quarterly for investment management, custodial and advisory services primarily based on a percentage of the assets managed by each fund manager.

During 2020, the Fund has appointed JPMorgan Chase Bank, N.A. (JP Morgan) as its custodian and investment advisor. The Fund incurred fees and expenses associated with its relationship with JP Morgan totaling approximately \$174,000 for the year ended December 31, 2020.

The Fund additionally incurred approximately \$237,000 of fees and expenses for the year ended December 31, 2020 related to both fees charged by certain alternative investments owned by the Fund as well and fees charged by the Fund's prior investment advisor.

4. Other Investments

In 1989, the Trustees established a Revolving Loan Fund Program, not to exceed \$4,500,000 in the aggregate, to assist parishes in the financing of renovation and building projects above that available through the Episcopal Church Building Fund. There was no balance outstanding under this loan program as of or during the year ended December 31, 2020.

5. Related-Party Transactions

Certain administrative costs, principally record keeping fees, incurred by the Diocese and allocated to the Fund amounted to approximately \$103,500 for the year ended December 31, 2020 and are included in "general and administrative expenses" on the statement of operations.

The Fund and the Diocese share one of their bank accounts. Management accounts for the activities of each entity separately. On occasion, the Fund or the Diocese may draw down on this bank balance an amount greater than its respective interest in the account. As of December 31, 2020, the Fund owes the Diocese \$6,933,725 for amounts drawn on by the Fund in excess of its proportional interest in the bank balance. These amounts are due on demand and non-interest bearing. This amount is classified as "Due to Affiliates" on the Statement of Assets and Liabilities.

6. Financial Highlights

For the year ended December 31, 2020, the ratio of expenses to average net assets, ratio of net investment income to average net assets and total return of the Fund was 0.34 percent, 1.59 percent and 10.62 percent, respectively.

7. Subsequent Events

The Fund evaluated all events or transactions that occurred through February 9, 2022, which is the date the financial statements were available for issuance, and have included any required adjustments or disclosures in these financial statements.

Through the date of issuance, the Fund received new subscriptions of approximately \$2,739,000 and paid redemptions of approximately \$15,399,000.