

Investment Fund of The Diocese of Long Island Balanced Fund

Financial Statements

December 31, 2021

Investment Fund of The Diocese of Long Island Balanced Fund

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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

Opinion

We have audited the 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, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

New York, New York
October 11, 2022

Investment Fund of The Diocese of Long Island Balanced Fund

Statement of Assets and Liabilities

December 31, 2021

Assets

Investments, at fair value (cost \$124,502,602)	\$ 156,600,511
Cash and cash equivalents	435,144
Receivable for investments sold	<u>7,961,848</u>
Total assets	<u>164,997,503</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	<u>25,420</u>
Total liabilities	<u>25,420</u>
Net Assets	<u><u>\$ 164,972,083</u></u>

See notes to financial statements

Investment Fund of The Diocese of Long Island Balanced Fund

Statement of Operations

Year Ended December 31, 2021

Investment Income

Interest and dividend income	<u>\$ 4,183,968</u>
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Expenses

Fees and expenses of investment advisors	404,675
General and administrative	<u>103,500</u>

Total expenses	<u>508,175</u>
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Net investment income	<u>3,675,793</u>
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Realized Gains

Proceeds from sales of investments	79,615,431
Cost of investments sold	<u>(67,197,321)</u>

Net realized gains	<u>12,418,110</u>
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Unrealized Appreciation of Investments

Beginning of year	26,360,739
End of year	<u>32,097,909</u>

Change in unrealized appreciation	<u>5,737,170</u>
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Net realized gains and change in unrealized appreciation of investments	<u>18,155,280</u>
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Net increase in net assets resulting from operations	<u><u>\$ 21,831,073</u></u>
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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, 2021

Net Increase in Net Assets Resulting From Operations	<u>\$ 21,831,073</u>
Capital Transactions	
Proceeds from subscriptions to purchase shares of beneficial interest	736,540
Redemption of shares of beneficial interest	(15,625,775)
Dividends to beneficial interest holders	<u>(6,320,139)</u>
 Decrease in net assets resulting from capital transactions	 <u>(21,209,374)</u>
 Net increase in net assets	 621,699
 Net Assets, Beginning	 <u>164,350,384</u>
 Net Assets, Ending	 <u><u>\$ 164,972,083</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, 2021

Cash Flows From Operating Activities

Net increase in net assets resulting from operations	\$ 21,831,073
Adjustments to reconcile net increase in net assets from operations to net cash flows from operating activities:	
Purchase of investments	(48,641,025)
Proceeds from disposition of investments	79,615,431
Change in unrealized depreciation on investments	(5,737,170)
Net realized gain on investments	(12,418,110)
Due to affiliates	(6,933,725)
Change in receivable for investments sold	(7,961,848)
Change in accounts payable and accrued expenses	(93,571)
	<u>19,661,055</u>
Net cash flows from operating activities	<u>19,661,055</u>

Cash Flows From Financing Activities

Proceeds from subscriptions to purchase shares of beneficial interest	736,540
Redemption of shares of beneficial interest	(15,625,775)
Dividends to beneficial interest holders	(6,320,139)
	<u>(21,209,374)</u>
Net cash flows used in financing activities	<u>(21,209,374)</u>
Net change in cash and cash equivalents	(1,548,319)

Cash and Cash Equivalents, Beginning 1,983,463

Cash and Cash Equivalents, Ending \$ 435,144

Investment Fund of The Diocese of Long Island Balanced Fund

Condensed Schedule of Investments
December 31, 2021

	Number of Shares or Ownership Percentage	Cost	Fair Value	Percentage of Net Assets
Investments, at Fair Value				
Alternative Investments				
North America		\$ 4,116,694	\$ 4,517,952	2.7%
Cayman Islands				
Blackstone Partners Offshore Fund - CC2 Shares	9,320	7,593,461	10,707,955	6.5%
Other		4,500,000	4,500,000	2.7%
Total Cayman Islands		12,093,461	15,207,955	9.2%
Total Alternative Investments		16,210,155	19,725,907	11.9%
Mutual Funds				
North America				
Large Cap Equity				
Fidelity 500 Index	125,743	13,308,598	20,787,769	12.6%
Invesco QQQ Trust Series	21,429	5,133,161	8,525,528	5.2%
iShares Russell 1000 Value	49,505	6,911,003	8,313,375	5.0%
Parnassus Core Equity	144,402	6,591,158	9,176,766	5.6%
Other		4,799,881	6,656,927	4.0%
Total Large Cap Equity		36,743,801	53,460,365	32.4%
Mid Cap Equity		1,014,616	1,566,581	0.9%
Financials		2,888,108	4,645,017	2.8%
Healthcare		3,466,113	4,821,397	2.9%
Commodities		6,211,005	6,265,215	3.8%
Industrials		2,508,430	2,854,965	1.7%
Real Estate		3,069,710	4,534,850	2.7%
Fixed Income		14,969,396	14,912,825	9.0%
Total North America		70,871,179	93,061,215	56.4%
Europe - Large Cap Equity				
Fidelity International Index	185,907	7,404,943	9,163,380	5.6%
Other		11,731,663	13,528,048	8.2%
Total Europe		19,136,606	22,691,428	13.8%
Japan - Large Cap Equity		4,791,843	5,071,464	3.1%
Asia ex-Japan - Large Cap Equity		3,021,701	3,504,103	2.1%
Emerging Markets		10,471,118	12,546,394	7.6%
Total mutual funds		108,292,447	136,874,604	83.0%
Total investments, at fair value		124,502,602	156,600,511	94.9%
Other Assets and Liabilities, Net		8,371,572	8,371,572	5.1%
Total net assets		\$ 132,874,174	\$ 164,972,083	100.0%

See notes to financial statements

Investment Fund of The Diocese of Long Island Balanced Fund

Notes to Financial Statements

December 31, 2021

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 one financial institution, 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, 2021

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 2021, 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 and certain beneficial interest holders affiliated with the Diocese are not eligible for dividends.

Dividends of approximately \$3,000 were reinvested during the year ended December 31, 2021.

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, 2021

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, 2021:

	<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	\$ 136,874,604	\$ 136,874,604	\$ -	\$ -	\$ -
Alternative investments	<u>19,725,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,725,907</u>
Total Investments	<u>\$ 156,600,511</u>	<u>\$ 136,874,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,725,907</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, 2021:

	<u>Blackstone Partners Offshore Fund - CC2 Shares</u>
Fair value at December 31, 2021	\$ 10,707,955
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.

Investment Fund of The Diocese of Long Island Balanced Fund

Notes to Financial Statements

December 31, 2021

The Fund has an aggregate commitment of \$10,000,000 in one of its alternative investments. The total unfunded commitment as of December 31, 2021 was \$6,632,095.

As of December 31, 2021, the Fund has recognized a receivable for investments sold of \$7,961,848 related to the net liquidation value of an alternative investment that was requested for redemption by the Fund as of December 31, 2021. This receivable was recovered in 2022.

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.

JPMorgan Chase Bank, N.A. (JP Morgan) is the custodian and investment advisor to the Fund. The Fund additionally incurs fees charged by certain alternative investments owned by the Fund. The Fund incurred fees and expenses of approximately \$405,000 associated with its relationship with JP Morgan and other investment advisors for the year ended December 31, 2021.

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, 2021.

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, 2021 and are included in "general and administrative expenses" on the statement of operations.

6. Financial Highlights

For the year ended December 31, 2021, the ratio of expenses to average net assets, ratio of net investment income to average net assets and total return of the Fund was 0.31 percent, 2.21 percent and 13.12 percent, respectively.

The average net assets are computed using an average of the Fund's monthly net assets for the year ended December 31, 2021.

Financial highlights are calculated for the Fund's net assets as a whole. An individual investor's return and ratios may vary based on the timing of capital transactions. The return is hypothetical as the return assumes the Fund's investments are able to be liquidated at December 31, 2021 at their respective fair values.

7. Subsequent Events

The Fund evaluated all events or transactions that occurred through October 11, 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 \$2,114,000 and paid redemptions of approximately \$4,213,000.