

**THE TRUSTEES OF THE PROTESTANT
EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
MASTER FUND "A"**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2010 AND 2009

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Certified Public Accountants & Advisors
Advancing Tradition

Independent Auditor's Report

To the Trustees of the Protestant Episcopal Church
of the Diocese of Delaware Master Fund "A"
Wilmington, Delaware

We have audited the accompanying statements of assets, liabilities and net assets of the Trustees of the Protestant Episcopal Church of the Diocese of Delaware Master Fund "A" (Master Fund "A") as of December 31, 2010 and 2009 and the related statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Trustees. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, the Trustees' policy is to prepare the financial statements of Master Fund "A" in accordance with the provisions of the General Convention of the Episcopal Church, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These provisions require that a statement of cash flows be presented. The Trustees have elected not to present a statement of cash flows for Master Fund "A".

In our opinion, except for the omission of the statement of cash flows, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Master Fund "A" as of December 31, 2010 and 2009, and the results of its operations and changes in net assets for the years then ended, on the basis of accounting described in Note A.



Certified Public Accountants

June 22, 2011

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
MASTER FUND "A"
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
DECEMBER 31, 2010 AND 2009**

ASSETS	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 893,797	\$ 991,072
Investments	52,930,695	51,266,061
Interest receivable	166,301	148,605
Dividends receivable	<u>27,353</u>	<u>55,696</u>
 TOTAL ASSETS	 <u>\$ 54,018,146</u>	 <u>\$ 52,461,434</u>
 LIABILITIES		
Investment fees payable	\$ 49,983	\$ 37,315
Amounts held on behalf of participants	<u>893,801</u>	<u>991,077</u>
 TOTAL LIABILITIES	 <u>943,784</u>	 <u>1,028,392</u>
 NET ASSETS		
Fund balance	48,076,675	48,038,252
Unrealized appreciation of marketable securities	<u>4,997,687</u>	<u>3,394,790</u>
 TOTAL NET ASSETS	 <u>53,074,362</u>	 <u>51,433,042</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 54,018,146</u>	 <u>\$ 52,461,434</u>
 Net asset value per unit	 <u>\$ 33.73</u>	 <u>\$ 32.41</u>
 Units outstanding	 1,573,589	 1,586,859

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

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
MASTER FUND "A"
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Investment income	\$ 1,628,147	\$ 1,077,755
Less: Amortized bond premiums	(150,242)	-
	1,477,905	1,077,755
Expenses		
Administrative fees	79,933	74,498
Investment fees	481,392	395,502
	561,325	470,000
Total expenses		
	916,580	607,755
Net investment income		
Realized gain (loss) from security transactions	2,371,810	(2,403,699)
	3,288,390	(1,795,944)
Net earnings before unrealized appreciation on investments		
Unrealized appreciation on investments	1,602,902	10,211,946
	4,891,292	8,416,002
NET GAIN	\$ 4,891,292	\$ 8,416,002

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

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
MASTER FUND "A"
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
NET ASSETS: Beginning of year	\$ 51,433,042	\$ 45,009,852
Net gain	4,891,292	8,416,002
Purchase of fund units by participants	1,467,926	1,206,620
Redemption of fund units by participants	(1,920,230)	(313,761)
Distributions to participants	<u>(2,797,668)</u>	<u>(2,885,671)</u>
NET ASSETS: End of year	<u>\$ 53,074,362</u>	<u>\$ 51,433,042</u>

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

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
MASTER FUND "A"
DECEMBER 31, 2010 AND 2009
NOTES TO FINANCIAL STATEMENTS**

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Master Fund "A" (the "Fund"), is an investment account for the various organizations, institutions, churches and other agencies in affiliation with The Protestant Episcopal Church of the Diocese of Delaware. Each organization, institution, or church may own units in the Master Fund "A". The Fund itself is maintained by SunTrust Bank as custodian under the direction of and with policy set by the Trustees of the Protestant Episcopal Church of the Diocese of Delaware through its investment committee.

2. Method of Accounting

The financial statements are prepared in accordance with the provisions of the General Convention of the Episcopal Church, except that no statement of cash flows has been presented as required. The Trustees do not believe this information is meaningful to users of these statements. These practices differ in certain respects, which may be material, from accounting principles generally accepted in the United States of America.

3. Investments in Marketable Securities

Security transactions are recorded on the settlement date basis, which is not materially different from the trade date basis. Investments owned are carried at market value, which is the closing bid price on the last day of trading during the period. The difference between cost and market value is reflected as unrealized appreciation (depreciation) on investments. Realized gains (losses) from security transactions are determined for financial reporting purposes on the basis of first-in, first-out. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis.

Although not required by the General Convention of the Episcopal Church, the Fund has elected to include the disclosure requirements of Financial Accounting Standards Board ("FASB") SFAS No. 157 (FASB ASC 820-10), which provides enhanced guidance for using fair value to measure assets and liabilities. FASB ASC 820-10 establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
MASTER FUND "A"
DECEMBER 31, 2010 AND 2009
NOTES TO FINANCIAL STATEMENTS**

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Investments in Marketable Securities (Continued)

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

4. Premiums and Discounts

The difference between the cost and the face value of debt instruments purchased (premiums or discounts) is amortized or accreted over the life of the investment on a straight line or effective yield basis.

There were total net premiums paid of \$637,333 and \$922,327 and net discounts of \$19,663 and \$7,483 received, as of December 31, 2010 and 2009, respectively, representing the maturity value of fixed income securities over cost (discount) or cost over maturity value (premium).

Amortization expense recognized on bond premiums was \$150,242 during the year ended December 31, 2010. Because the original purchase of the premiums on some of the bonds occurred in November and December 2009, bond premiums were not amortized for these months, since the effect of not amortizing these premiums over the life of the security was not material to the financial statements in 2009. In 2010, the amortizations of the premiums on bonds for these two months were included in 2010 bond amortization expense. This effect was not material to the financial statements.

5. Transactions with Unit-holders

Purchase or redemption of units may be made monthly by unit-holders and are based on the previous month's net asset value. The Fund makes regular quarterly distributions to unit-holders on March 31, June 30, September 30 and December 31. During 2010 and 2009, standard gross quarterly distributions were 44.5 and 46 cents per unit, respectively. Participants may elect to increase or decrease this distribution, which will result in liquidation or addition of units.

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
 OF THE DIOCESE OF DELAWARE
 MASTER FUND "A"
 DECEMBER 31, 2010 AND 2009
 NOTES TO FINANCIAL STATEMENTS**

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Amounts Held on Behalf of Participants

As a convenience to Participants, the Fund will hold cash balances on their behalf in segregated accounts separate from their Fund share balances. These cash balances are redeemable on demand. The total of all these segregated accounts was \$893,801 and \$991,077 at December 31, 2010 and 2009, respectively. These amounts appear as liabilities on the statement of assets, liabilities and net assets.

7. Administrative and Investment Fees

Fees are paid to the Trustees of the Episcopal Church of the Diocese of Delaware (the "Trustees") and Hamilton & Company to cover investment advisory and administrative services provided to the Fund. Fees to the investment advisors and custodians are paid based on the following annual rates calculated on the average market value of assets under management:

<u>Advisor/Custodian</u>	<u>Rate</u>
Trustees of the Protestant Episcopal Church	0.04%
Dawson Capital Management	1.00%
Neuberger Berman	0.65%
SunTrust Bank - Custodial/Administrative	0.12%
Steinberg Asset Management	0.85%
Payden & Rygel	0.35%

Hamilton & Company receives an annual flat fee of \$40,000, allows a credit for commissions received and bills separately for out-of-pocket expenses. During 2010 and 2009, the Trustees were paid \$18,701 and \$18,782, respectively, and Hamilton & Company was paid \$54,999 and \$33,608, respectively. For the years ending December 31, 2010 and 2009, John Hsu Capital Group, Inc. was paid \$0 and \$58,078, respectively, Dawson Capital Management was paid or due \$160,610 and \$145,956, respectively, Neuberger Berman was paid or due \$111,898 and \$73,221, respectively, SunTrust Bank was paid or due \$61,232 and \$55,716, respectively, Steinberg Asset Management was paid or due \$89,267 and \$77,664, respectively, and Payden & Rygel was paid or due \$50,328 and \$0, respectively.

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DECEMBER 31, 2010 AND 2009
NOTES TO FINANCIAL STATEMENTS**

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

9. Concentration of Market Risk

The Fund maintains its cash balances with nationally known and established financial institutions. From time to time, in the normal course of business, the Fund's cash balances may exceed federally insured limits. Management believes the risk of loss is remote.

10. Subsequent Events

Management has evaluated subsequent events through June 22, 2011, the date the financial statements were available to be issued.

NOTE B – FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Fund to concentrations of credit risk consist principally of investments. Concentrations of credit risk with respect to investments are limited due to the placement of its investments with professional investment advisors subject to the Fund's investment policies.

NOTE C – INCOME TAXES

The Fund is not subject to federal or state income taxes. All income is passed-through directly to the owners of units. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

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DECEMBER 31, 2010 AND 2009
NOTES TO FINANCIAL STATEMENTS**

NOTE D – SECURITY TRANSACTIONS

Additions and redemptions for the year ended December 31, 2010 amounted to \$1,467,926 or 44,914 units, and \$1,920,230 or 58,185 units, respectively.

Additions and redemptions for the year ended December 31, 2009 amounted to \$1,206,620 or 39,463 units, and \$313,761 or 9,941 units, respectively.

Investments at December 31 consisted of:

	2010	
	Cost	Market
Level 1 Valuations:		
Cash and short-term investments	\$ 6,164,074	\$ 6,164,074
Fixed income securities	14,290,994	15,029,981
Equity securities	27,477,934	31,736,640
	<u>\$ 47,933,002</u>	<u>\$ 52,930,695</u>
	2009	
	Cost	Market
Level 1 Valuations:		
Cash and short-term investments	\$ 7,177,565	\$ 7,177,565
Fixed income securities	15,371,850	15,675,068
Equity securities	25,321,855	28,413,428
	<u>\$ 47,871,270</u>	<u>\$ 51,266,061</u>

The Fund has determined the fair value of certain assets through application of Statement of Financial Accounting Standards No. 157, *Fair Value Measurement* (FASB ASC 820-10). As required by FASB ASC 820-10, investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which the Fund's investments have been classified, management has assessed factors including, but not limited to, price transparency, subscription activity, redemption activity and the existence or absence of certain restrictions. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based on quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. Financial assets valued using Level 3 inputs are based on assumptions and pricing models and other unobservable inputs.