

**COMMUNIS FUND OF THE  
DIOCESE OF ROCHESTER, INC.**

**Financial Statements as of  
June 30, 2023 and 2022  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

October 3, 2023

To the Board of Directors of  
Communis Fund of the Diocese of Rochester, Inc.:

### **Opinion**

We have audited the accompanying financial statements of Communis Fund of the Diocese of Rochester, Inc. (the Organization) (a New York not-for-profit corporation) which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of activities and change in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **INDEPENDENT AUDITOR'S REPORT**

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### **Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Organization'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 Organization'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.

**COMMUNIS FUND OF THE DIOCESE OF ROCHESTER, INC.**

**BALANCE SHEETS  
JUNE 30, 2023 AND 2022**

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	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Communis Investment Fund	<u>\$ 272,373,617</u>	<u>\$ 271,178,415</u>
Total assets	<u>\$ 272,373,617</u>	<u>\$ 271,178,415</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accrued expenses	\$ 57,750	\$ 108,650
Custodial funds	<u>272,014,310</u>	<u>270,811,765</u>
Total liabilities	272,072,060	270,920,415
<b>NET ASSETS</b>	<u>301,557</u>	<u>258,000</u>
Total liabilities and net assets	<u>\$ 272,373,617</u>	<u>\$ 271,178,415</u>

The accompanying notes are an integral part of these statements.

**COMMUNIS FUND OF THE DIOCESE OF ROCHESTER, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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	<u>2023</u>	<u>2022</u>
REVENUE:		
Investor fees	\$ <u>849,561</u>	\$ <u>792,569</u>
EXPENSES:		
Program		
Investment management fees	554,396	686,041
Management and general		
Management agreement	231,108	86,900
Professional fees	<u>20,500</u>	<u>19,500</u>
Total management and general	251,608	106,400
Total expenses	<u>806,004</u>	<u>792,441</u>
CHANGE IN NET ASSETS	43,557	128
NET ASSETS - beginning of year	<u>258,000</u>	<u>257,872</u>
NET ASSETS - end of year	<u>\$ 301,557</u>	<u>\$ 258,000</u>

The accompanying notes are an integral part of these statements.

# COMMUNIS FUND OF THE DIOCESE OF ROCHESTER, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 43,557	\$ 128
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Change in:		
Accrued expenses	<u>(50,900)</u>	<u>86,900</u>
Net cash flow from operating activities	<u>(7,343)</u>	<u>87,028</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments, net	<u>26,745,957</u>	<u>34,843,046</u>
Net cash flow from investing activities	<u>26,745,957</u>	<u>34,843,046</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Custodial funds received	7,406,971	6,349,387
Custodial funds disbursed	<u>(34,145,585)</u>	<u>(41,279,461)</u>
Net cash flow from financing activities	<u>(26,738,614)</u>	<u>(34,930,074)</u>
CHANGE IN CASH AND EQUIVALENTS	-	-
CASH AND EQUIVALENTS - beginning of year	<u>-</u>	<u>-</u>
CASH AND EQUIVALENTS - end of year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

# COMMUNIS FUND OF THE DIOCESE OF ROCHESTER, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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### 1. THE ORGANIZATION

The Communis Fund of The Diocese of Rochester, Inc. (Communis) is a not-for-profit corporation organized and existing under the laws of the State of New York. Communis was organized on December 12, 2005, by the Roman Catholic Diocese of Rochester, New York (the Diocese) for the purpose of offering Diocesan organizations the opportunity to invest collectively to maximize investment opportunities and returns consistent with the duties of stewardship following the mandates of The Code of Canon Law of the Roman Catholic Church. Communis provides Diocesan organizations with the opportunity to invest in a diversified portfolio managed by one or more professional investment managers chosen by a Board of Directors selected by Communis' members. Communis has three members: the Bishop, the Vicar General and the Chancellor of the Diocese.

Communis receives funds from the Diocese, its parishes, schools, institutions and organizations as well as the Diocese of Rochester Priests' Retirement Plan Trust and the Diocese of Rochester Lay Employees' Retirement Accumulation Plan Trust (individually a "Diocesan Organization" or "Investor" and collectively, "Diocesan Organizations" or "Investors") for investment on behalf of the Investors. The Communis Investment Fund (the Fund) is available for investment exclusively by Diocesan organizations. Parishioners, employees or other individuals may not invest in the Fund.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

#### **Financial Reporting**

As of June 30, 2023 and 2022, there were no net assets with donor restrictions.

#### **Investments**

The Communis Investment Fund invests in marketable equity and debt securities that are stated at fair value. All investors' investment income, appreciation, depreciation, fees and gains and losses are recorded as increases or decreases to custodial funds.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Investor Fees**

Communis recognizes revenue from investor fees when performance obligations under participation agreements with investors are met. Communis' performance obligation is to oversee the funds and provide any necessary administrative support services. There may be variability involved in the fees assessed if fee holidays are given at the discretion of Communis. Investor fees are assessed and received monthly based on the value of each participant's account balance. There were no performance obligations that remained wholly or partially unsatisfied at June 30, 2023 or 2022.

### **Income Taxes**

Communis is a religious corporation and is exempt from income taxes as an organization.

### **Fair Value Measurement - Definition and Hierarchy**

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of Communis. Unobservable inputs are inputs that reflect Communis' belief about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that Communis has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these items does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by Communis in determining fair value is greatest for items categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. There were no changes to the valuation techniques during the current year.

### **Functional Expenses**

Communis incurs expenses that are attributable to programmatic or management and general functions. These expenses are directly charged to program services or management and general supporting services on a transactional basis.

### **Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.



### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Communis has a policy to structure its financial assets to be available as its general expenditures and other obligations come due. Communis financial assets available at June 30, 2023 and 2022, to meet cash needs for general expenditures within one year were \$359,307 and \$366,650, respectively.

### 4. INVESTMENTS

#### Communis Investment Fund

The Communis Investment Fund seeks long-term capital growth while attaining a rate of return greater than the rate of inflation. Additionally, the fund maintains a moderate level of portfolio volatility. The types of investments in this fund include equity securities such as common stocks, preferred stocks, foreign stocks and convertible securities. The portfolio seeks to hold between 30% and 80% of the total portfolio in equities. In addition, the investments in this fund may also include fixed income funds such as United States government and agency bonds, commercial paper, corporate bonds, certificates of deposit and money market funds. Between 20% and 70% of the total can be fixed income securities.

Communis' investments are measured at fair value on a recurring basis based on the following inputs at June 30, 2023:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Communis investment fund:				
Cash equivalents	\$ 1,897,806	\$ -	\$ -	\$ 1,897,806
Equity securities	192,186,925	-	-	192,186,925
Fixed income securities	<u>78,288,886</u>	<u>-</u>	<u>-</u>	<u>78,288,886</u>
Total investments	<u>\$ 272,373,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,373,617</u>

Communis' investments are measured at fair value on a recurring basis based on the following inputs at June 30, 2022:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Communis investment fund:				
Cash equivalents	\$ 2,974,018	\$ -	\$ -	\$ 2,974,018
Equity securities	186,158,371	-	-	186,158,371
Fixed income securities	<u>82,046,026</u>	<u>-</u>	<u>-</u>	<u>82,046,026</u>
Total investments	<u>\$ 271,178,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,178,415</u>

#### 4. INVESTMENTS (Continued)

##### Investment Activity

The following sets forth the net aggregate activity in the Communis funds, for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Beginning investment balance	\$ 271,178,415	\$ 344,051,703
New investment receipts	7,406,971	6,349,387
Withdrawals	(34,145,585)	(41,279,461)
Fees and expenses	(856,904)	(705,541)
Net realized gains on investments	10,265,999	13,156,141
Net investment appreciation (depreciation)	<u>18,524,721</u>	<u>(50,393,814)</u>
Ending investment balance	<u>\$ 272,373,617</u>	<u>\$ 271,178,415</u>

#### 5. MANAGEMENT AGREEMENT

Communis does not pay any compensation to its members, officers or directors. The Diocese provides Communis with administrative services under the terms of an administrative contract that sets forth the terms upon which Communis will reimburse the Diocese for the expense of its employees who assist in the management and administration of Communis. The general and administrative expenses incurred by Communis under this contract were \$231,108 and \$86,900 in 2023 and 2022, respectively.

#### 6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 3, 2023, which is the date the financial statements were available to be issued.