

**FOOD BANK OF THE SOUTHERN TIER
FINANCE COMMITTEE MEETING
February 1, 2022
4:30 PM – 6:00 PM**

AGENDA

TOPIC	FACILITATOR	ACTION	TIME
1. Welcome and Call to Order a. Introduction of Tricia Khan	Steve Hoyt		5
2. Prayer/Poem/Positivity	Karen Owen		2
3. Approval of November 2, 2021 Minutes	Steve Hoyt	Approve	5
4. December & Year End Financial Reports a. Income Statement b. Cash Flow c. Balance Sheet	Erica Loomis	Approve	20
5. Communis Annual Report	Erica Loomis	Review	5
6. SIF Preliminary Numbers	Erica Loomis	Discuss	30
7. Monthly Financial Reports a. Are monthly financial reports helpful? b. What information would committee members like to see?	Natasha Thompson	Discuss	15
8. Other Business	Steve Hoyt	Approve	5

Next Meeting

May 3, 2022 4:00 PM – 6:00 PM

Prayer/Poem/Positivity: Dick Pirozzolo
RSVP to lynn.dates@foodbankst.org

**Food Bank of the Southern Tier
Finance & Audit Committee Meeting**

Tuesday, November 2, 2021

4:00 – 6:00 PM

Board Member	In Attendance	Unable to Attend
Steve Hoyt (chair)	X	
Dick Pirozzolo	X	
Karl Krebs	X	
Krista Niles-Updyke		X
Linda Bruckner	X	
Michael Eisner	X	
Nancy Miller	X	
Shannon Matteson	X	
Meghan Rose	X	
Joe Thomas	X	
<i>Ex-Officio</i>		
Natasha Thompson	X	
<i>Guests</i>		
Jeff Paille, Bonadio & Co., LLP	X	
Mario Urso, Bonadio & Co., LLP	X	
Karen Owen	X	
Kathy Johnson		X
<i>Staff</i>		
Tim Currie	X	
Erica Loomis	X	
Lynn Dates	X	

1. **Welcome and Call to Order** - Steve Hoyt called the meeting to order at 4 pm
2. **Opening Prayer/Poem/Positivity** - Shannon Matteson.
3. **Approval of September 7, 2021 Minutes**

*Dick Pirozzolo made a motion to approve the September 7, 2021 minutes.
Mike Eisner seconded. All were in favor. None opposed.*
4. **Pre-Audit Review** - Jeff Paille reviewed the audit presentation provided to the Committee, noting that the audit will review the continued impact of COVID-19 and potential changes at the CCDR level including payroll processor and accounting department personnel assignments. He explained that auditing standards and processes are the same. Jeff described the audit approach and sampling, pointing out significant audit areas and standards including fraud, internal controls, revenue recognition including restricted income, inventory end of year valuation, safety protocols, and investments. The audit will be conducted by the same team as last year with the addition of Mario Urso, adding that much of the work will be done remotely. He reviewed the audit timeline: planning activities, cycle count in November and December, January and February check-in with the bulk of the audit conducted in March. Auditors will then meet with the Finance and Audit Committee in May 2022 to discuss the results. He asked the group if they had any concerns regarding fraud; none were noted. Jeff added that if they encounter fraudulent activities he would reach out to the Finance and Audit Committee. Karl Krebs noted that CCDOR Bankruptcy and Child Victims Act should be additional areas of focus, to which Jeff agreed and noted that it would be included in a revision.
5. **Executive Session with Auditor** – No executive session

6. **September Financial Reports** - Erica reviewed the September financial reports provided to the Committee, pointing out that fundraising continues to be strong; Personnel expenses are tracking notably under budget; All year-to-date “Summer School Agency” activity was moved out of Youth Programs and into Agencies; Food supply remains healthy with ample NNY; good donated flow and better than “normal” TEFAP; SIF activity is picking up but 2021 spending will fall short of the \$316K budget; Investment gains (\$263K) and bequest (\$163K) help support the Non-Operating section of the Income Statement; Interest Income resulted in \$332 on \$5M in cash, for the month.

*Meghan Rose made a motion to approve the September Financial Reports.
Shannon Matteson seconded. All were in favor. None opposed.*

7. **Q3 Budget Adjustments** - Erica reviewed Q3 Budget Adjustments provided to the Committee, which included the following: We did not adjust for fundraising or personnel and will finish the year with a significantly higher surplus; Many of the Q3 adjustments were due to budget moves and food lines which correspond with income and expense offsets; The most substantial surplus net effects resulted from increased agency shared maintenance, TEFAP admin, savings from freight-in, and contract services; The most significant deficit resulted from reduced agency wholesale spending (HF); and other changes involved balancing out individual lines to year-end tracks.

*Nancy Miller made a motion to approve Q3 Budget Adjustments.
Shannon Matteson seconded. All were in favor. None opposed.*

8. **2022 Budget Review and SIF Approval Process** – Erica reviewed the 2022 Budget provided to the Committee, noting that there are two versions for review, one including SIF expenses and the other excluding SIF expenses. The group discussed the nuances of the SIF process and how SIF relates to the overall budget, including the timing of anticipated spending, metrics, and outcomes. Steve recommended allocating \$400K for SIF projects in this budget and presenting to BOD in December with this Committee voting electronically on the resolution to not exceed \$400K in SIF spending. The group further discussed the SIF approval process; Approving the 2022 Budget and SIF spending at the December BOD meeting; No recommendation for Phase 2 expenses until approved by the BOD; and additional explanation about how SIF is shown on the income statement. Natasha added that funds have already been raised to support some SIF projects: 2 positions through a FANO grant and additional monies from grants and donors. She confirmed that once the process is determined we will reformat the income statement to reflect SIF. As the group reviewed the 2022 Budget without SIF, Natasha pointed out that decreased insurance expenses may impact enrollment. Finally, Tim, Natasha, Steve, Erica, Joe, and Karen will meet to discuss SIF tracking internally and for BOD with Karen creating a sample income statement that will be circulated to this Committee for approval.

*Dick Pirozzolo made a motion to approve the 2022 Budget pending a resolution regarding the SIF allocation.
Linda Bruckner seconded. All were in favor. None opposed.*

9. **SIF Approval Process** - see above

10. **Other Business** - Tim reviewed Cash and Investment Management provided to the Committee, which included Total Cash Available, Short-Term Reserves, Mid-Term Reserves, and Long-Term Reserves in Communis. The group discussed forming a sub-group of the Committee to determine how to manage any changes to Investments (before February meeting); Nancy Miller volunteered to participate in the sub-group.

Natasha announced that Erica will become the VP of Finance & Administration, and she recognized Tim “...for more that a decade of work in his position.” Committee members congratulated and thanked Tim for his commitment to FBST.

Finally, Natasha noted that the Tracking Calendar, Updated Committee Description, and 2022 Proposed Meeting Schedule were included in Committee packets and that members should review these items on their own. The meeting was adjourned at 6:05 pm.

Minutes respectfully submitted by, Lynn Dates, *Executive Assistant to Natasha Thompson, President & CEO*

The Food Bank of the Southern Tier
FINANCIAL REPORT – [December 2021]

% to Budget Guideline (Month 12 of 12): 100%

YTD Actual to Budget:	109% Total Income 99% Total Expenses	LAST YTD:	103% Total Income 95% Total Expenses
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OVERALL

- Overall, the 2021 surplus is over \$2.3million
- Fundraising finished \$1.705million ahead of adjusted projections and \$2.509million of original 2021 projections
- Preliminary SIF fund - \$6,412,190
- NNY Admin finished at \$373,561
- RRP - 10,395 ready made individual meals served totaling \$177,051 (\$711,948 current plan spend)

INCOME STATEMENT:

(Percentages Relate to Budget Projection)

Revenue Items:

Agency Food: 101%	On target. Strong flow of donated products.
MFP Food: 110%	Above target. MFP's are still benefitting nicely from good NNY, TEFAP, and Donated flows.
Youth Programs Food: 103%	Above target. TEFAP product helps fill Backpacks
Donated Product: 96%	Below target.
HPNAP General Operating: 93%	Below target. Additional funding for the transportation grant wasn't fully exhausted, and JSY is below target due to staff vacancies; both positions have now been filled. Some seasonal components here. Transportation Grant usually expended in the first half of the year, while Operations Support will mostly be spent in the second half.
Other Contracts/Programs: 104%	Above target. Restaurant Resiliency Admin.
Fund-Raising/Donations: 140.47%	Way Above Target! Fundraising surpasses expectations and 2020 December revenue by \$170,660. The total here does not include the \$163k August Bequest receipt (as per current Bequest Policy, that transaction is listed in the Non-Operating section of the Income Statement).
Other Income: 112%	Above target. ESD equipment reimbursement and over projections for warehouse pallet and recycling income. Interest income remains steady around \$350-\$375 per month.

EXPENSE ITEMS:

Personnel: 96%	Below target. Under budget by \$130k due to turnover/vacancies, including JSY staff.
Agency Food: 102%	On target. TEFAP ended strong.
MFP Food: 111%	Above target. TEFAP and Donated product
Youth Programs Food: 98%	On target. TEFAP!
Other Program Food: 99%	On target. Low venison numbers
Product Acquisition Freight: 77%	Below target. Strong flow of TEFAP & NNY products' kept this number in good shape. FA and Choice load subsidies also helped offset costs (ended Nov. 1).
Donated Product: 96%	Below target.
Warehouse/Distribution: 99%	On target.
General Operations: 96%	Below target. Third-quarter repairs for Physical Plant Maintenance will carry over into 2022. General Operation expenses are lower partly due to hybrid work.
Development/PR: 85%	Below target. The vendor canceled a large Direct Mail acquisition, and there were minimal events and recognition costs. Highly seasonal cost centers in the Development Dept. with Direct Mail and Advertising/Promo being heavy in Q4 investment.
Advocacy & Education: 22%	Below target, as expected. Seasonal / Event-driven.
Operation Support: 110%	Above target. HPNAP OS is completed. NNY passthrough for Broome is included in this total.

Non-Operating ITEMS:

Strategic Allocations: %	
Personnel: 100%	On target /as expected and internally controlled. Personnel allocations are expected to end in 2022.
SIF: 58%	Below target. SIF activity is picking up, but 2021 spending will fall short of the budget amount.

**Program Food Accounting
Distinctions:**

1. There is MFP HPNAP Shared Maintenance income but no expense (acquisition costs are reimbursable).
2. There is Backpack Wholesale expense but no income (the Food Bank pays for this program expense).
3. There is Agency Shared Maintenance income but no expense (it is donated product).
4. Inter-Affiliate Food expenses are recouped in Shared Maintenance revenue.
5. Other Program Food expenses are paid for by matching grants and fundraising.

Food Bank of the Southern Tier

Balance Sheet

	12/31/2021	12/31/2020
ASSETS		
CASH - OPERATING	\$6,962,914.57	\$6,043,659.79
ACCTS. RECEIVABLE	\$78,607.66	\$34,001.05
CAMPAIGN RECEIVABLE	\$8,800.02	\$18,800.02
CONTRACTS / GRANTS RECEIVABLE	\$667,009.91	\$304,879.52
INVESTMENT MANAGEMENT	\$3,301,630.77	\$1,983,010.74
DUE FROM CATHOLIC CHARITIES CHEMUNC	\$0.00	\$36,362.15
DUE FROM DIASTER RELIEF	\$0.00	\$0.00
PREPAIDS	\$34,028.70	\$54,715.17
PURCHASE FOOD INVENTORY	\$561,470.31	\$538,648.93
IN-KIND DONATED/TEFAP FOOD	\$293,224.03	\$1,417,168.63
PROPERTY, PLANT AND EQUIPMENT	\$2,874,653.97	\$3,153,367.78
TOTAL ASSETS	\$14,782,339.94	\$13,584,613.78
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
ACCOUNTS PAYABLE	\$450,192.28	\$353,523.13
DEFERRED INCOME	\$16,995.13	\$98,484.69
DEFERRED INVENTORY	\$293,224.03	\$1,417,168.63
ACCRUED LIABILITY	\$242,077.28	\$299,607.03
TOTAL LIABILITIES	\$1,002,488.72	\$2,168,783.48
 FUND BALANCE		
UNRESTRICTED FUNDS	\$5,882,260.98	\$10,718,291.36
RESTRICTED-ENDOWMENT FUND	\$112,750.31	\$101,181.50
TEMP. RESTRICTED-EXPANSION PROGRAMS	\$0.00	\$30,719.44
BUILDING FUND	\$0.00	\$470,246.00
BOD DESIGNATED OPERATING RESERVE FUND	\$1,508,448.00	\$0.00
BOD DESIGNATED CAPITAL ASSET FUND	\$1,191,404.00	\$0.00
BOD DESIGNATED STRATEGIC INVESTMENT	\$5,042,169.01	\$0.00
TEMP. RESTRICTED TRK CAMPAIGN	\$42,818.92	\$95,392.00
TOTAL FUND BALANCE	\$13,779,851.22	\$11,415,830.30
 TOTAL LIABILITIES AND FUND BALANCE	\$14,782,339.94	\$13,584,613.78
 BEGINNING BALANCE WITH CURRENT YEAR ADJUSTMENTS	\$11,415,830.30	\$7,115,538.88
NET SURPLUS/(DEFICIT)	\$2,364,020.92	\$4,300,291.42
ENDING FUND BALANCE	\$13,779,851.22	\$11,415,830.30

Food Bank of the Southern Tier
Cash Flow Forecast
January 2022 to June 2022

WEEK ENDING	RECEIPTS		DISBURSEMENTS		NET CHANGE	BALANCE	
BAL. BROUGHT FORWARD						6,910,482.94	
1/8/2022	77,534.25	C,D,E	404,898.81	A,B,H	(327,364.56)	6,583,118.38	
1/15/2022	132,858.79	C,D,E	211,771.18	B	(78,912.39)	6,504,205.99	
1/22/2022	10,176.67	D	264,003.37	A,B	(253,826.70)	6,250,379.29	
1/29/2022	89,014.02	E	10,250.00		78,764.02	6,329,143.31	
					0.00	6,329,143.31	
					0.00	6,329,143.31	
MONTHLY TOTAL	309,583.73		890,923.36		(581,339.63)	6,329,143.31	
WEEK ENDING							
2/5/2022	370,481.00	E	350,000.00	A,B	20,481.00	6,349,624.31	
2/12/2022	35,000.00	D	250,000.00	G	(215,000.00)	6,134,624.31	
2/19/2022	65,000.00	C	320,000.00	A,G	(255,000.00)	5,879,624.31	
2/26/2022	120,000.00	C	100,000.00		20,000.00	5,899,624.31	
2/28/2022	180,000.00	D	120,000.00	F	60,000.00	5,959,624.31	
MONTHLY TOTAL	770,481.00		1,140,000.00		(369,519.00)	5,959,624.31	
WEEK ENDING							
3/5/2021	125,000.00	E	350,000.00	A,G	(225,000.00)	5,734,624.31	
3/12/2021	35,000.00	D	200,000.00		(165,000.00)	5,569,624.31	
3/19/2021	125,000.00	E	320,000.00	A,G	(195,000.00)	5,374,624.31	
3/26/2021	150,000.00	C	200,000.00	G	(50,000.00)	5,324,624.31	
3/31/2021					0.00	5,324,624.31	
MONTHLY TOTAL	435,000.00		1,070,000.00		(635,000.00)	5,324,624.31	
3 MONTH RECAP	1,515,064.73		3,100,923.36		(1,585,858.63)	BEGIN BAL	ENDING BAL
MONTH OF APRIL	1,538,594.00		1,561,035.00		(22,441.00)	5,324,624.31	(22,441.00)
MONTH OF MAY	1,538,594.00		1,561,035.00		(22,441.00)	5,302,183.31	(44,882.00)
MONTH OF JUN	1,538,594.00		1,561,035.00		(22,441.00)	(22,441.00)	(67,323.00)
6 MONTH RECAP	6,130,846.73		7,784,028.36		(1,653,181.63)	6,910,482.94	5,257,301.31

A INCLUDES 2 WEEKS PAYROLL
 B INCLUDES FOOD PURCHASES
 C INCLUDES GRANT PAYMENTS
 D A/R PAYMENTS
 E DONATIONS/DIRECT MAIL
 F ANNUAL PENSION PAYMENT
 G FUTURE FOOD PURCHASES
 H DIRECT MAIL EXPENSE
 I HPNAP ADVANCE

Food Bank of the Southern Tier

Income Statement

Total Operations Including Current Month Actuals

	CURRENT MONTH 12/01/2021 12/31/2021	CURRENT YTD ACTUAL 01/01/2021 12/31/2021	LAST YTD ACTUAL 01/01/2020 12/31/2020	PROJECTION TO DATE 01/01/2021 12/31/2021	FULL YR PROJECT. 01/01/2021 12/31/2021	% TO FULL YEAR PROJECTION
REVENUE						
FOOD DISTRIBUTION						
AGENCIES						
SHARED MAINTENANCE						
GENERAL	\$1,755.64	\$59,551.01	\$32,969.55	\$51,200.00	\$51,200.00	116%
HPNAP	\$2,109.39	\$81,946.23	\$94,246.59	\$86,273.00	\$86,273.00	95%
TOTAL SHARED MAINTENANCE	\$3,865.03	\$141,497.24	\$127,216.14	\$137,473.00	\$137,473.00	103%
WHOLESALE						
GENERAL	\$64,471.69	\$480,021.59	\$453,581.51	\$361,983.00	\$361,983.00	133%
HPNAP	\$122,102.00	\$1,478,794.96	\$1,136,255.98	\$1,721,790.00	\$1,721,790.00	86%
HANDLING FEES	\$2,964.17	\$68,941.19	\$135,438.03	\$76,597.00	\$76,597.00	90%
TOTAL WHOLESALE	\$189,537.86	\$2,027,757.74	\$1,725,275.52	\$2,160,370.00	\$2,160,370.00	94%
TEFAP						
TEFAP INCOME	\$205,020.05	\$2,537,074.30	\$4,592,748.86	\$2,352,925.00	\$2,352,925.00	108%
TOTAL TEFAP	\$205,020.05	\$2,537,074.30	\$4,592,748.86	\$2,352,925.00	\$2,352,925.00	108%
TOTAL AGENCY FOOD	\$398,422.94	\$4,706,329.28	\$6,445,240.52	\$4,650,768.00	\$4,650,768.00	101%
MOBILE FOOD PANTRIES						
SHARED MAINTENANCE						
GENERAL	\$2,893.03	\$64,962.18	\$3,726.62	\$58,051.00	\$58,051.00	112%
HPNAP	\$20,345.16	\$129,834.27	\$48,414.08	\$133,927.00	\$133,927.00	97%
TOTAL SHARED MAINTENANCE	\$23,238.19	\$194,796.45	\$52,140.70	\$191,978.00	\$191,978.00	101%
WHOLESALE						
HPNAP	\$0.00	\$989,331.99	\$173,725.79	\$1,035,432.00	\$1,035,432.00	96%
HPNAP HANDLING FEES	\$0.00	\$13,048.58	\$16,941.82	\$16,291.00	\$16,291.00	80%
TOTAL WHOLESALE	\$0.00	\$1,002,380.57	\$190,667.61	\$1,051,723.00	\$1,051,723.00	95%
TEFAP						
TEFAP FOOD INCOME	\$152,092.18	\$1,955,440.88	\$1,495,054.63	\$1,609,859.00	\$1,609,859.00	121%
TOTAL TEFAP	\$152,092.18	\$1,955,440.88	\$1,495,054.63	\$1,609,859.00	\$1,609,859.00	121%
TOTAL MOBILE FOOD PANTRY	\$175,330.37	\$3,152,617.90	\$1,737,862.94	\$2,853,560.00	\$2,853,560.00	110%
YOUTH PROGRAMS						
BK SHARED MAINTENANCE						
GENERAL	\$66.12	\$4,484.27	\$19,456.51	\$7,410.00	\$7,410.00	61%
Total SHARED MAINTENANCE	\$66.12	\$4,484.27	\$19,456.51	\$7,410.00	\$7,410.00	61%
WHOLESALE						
HPNAP	\$0.00	\$6,087.07	\$12,599.89	\$6,545.00	\$6,545.00	93%

Food Bank of the Southern Tier

Income Statement

Total Operations Including Current Month Actuals

	CURRENT MONTH 12/01/2021 12/31/2021	CURRENT YTD ACTUAL 01/01/2021 12/31/2021	LAST YTD ACTUAL 01/01/2020 12/31/2020	PROJECTION TO DATE 01/01/2021 12/31/2021	FULL YR PROJECT. 01/01/2021 12/31/2021	% TO FULL YEAR PROJECTION
HPNAP HANDLING FEES	\$0.00	\$0.00	\$1,001.46	\$486.00	\$486.00	0%
SUMMER PROGRAMS	\$0.00	\$0.00	\$74,236.25	\$0.00	\$0.00	0%
TOTAL WHOLESALE	\$0.00	\$6,087.07	\$87,837.60	\$7,031.00	\$7,031.00	87%
TEFAP						
TEFAP FOOD INCOME	\$22,980.47	\$174,909.03	\$114,214.11	\$165,059.00	\$165,059.00	106%
	\$22,980.47	\$174,909.03	\$114,214.11	\$165,059.00	\$165,059.00	106%
TOTAL YOUTH PROGRAMS	\$23,046.59	\$185,480.37	\$221,508.22	\$179,500.00	\$179,500.00	103%
DISASTER RELIEF						
DR-SHARED MAINTENANCE						
GENERAL	\$0.00	\$0.00	\$1,198.44	\$0.00	\$0.00	0%
HPNAP	\$0.00	\$0.00	\$46,125.76	\$0.00	\$0.00	0%
TOTAL SHARED MAINTENANCE	\$0.00	\$0.00	\$47,324.20	\$0.00	\$0.00	0%
WHOLESALE						
HPNAP	\$0.00	\$0.00	\$387,327.39	\$0.00	\$0.00	0%
HPNAP HANDLING FEES	\$0.00	\$0.00	\$43,328.69	\$0.00	\$0.00	0%
Total WHOLESALE FOOD	\$0.00	\$0.00	\$430,656.08	\$0.00	\$0.00	0%
TEFAP						
TEFAP FOOD INCOME	\$0.00	\$0.00	\$1,626,225.24	\$0.00	\$0.00	0%
	\$0.00	\$0.00	\$1,626,225.24	\$0.00	\$0.00	0%
TOTAL DISASTER RELIEF	\$0.00	\$0.00	\$2,104,205.52	\$0.00	\$0.00	0%
TOTAL FOOD DISTRIBUTION	\$596,799.90	\$8,044,427.55	\$10,508,817.20	\$7,683,828.00	\$7,683,828.00	105%
DONATED PRODUCT						
DONATED PRODUCT	\$466,049.09	\$6,699,282.38	\$5,142,495.18	\$6,981,077.00	\$6,981,077.00	96%
TOTAL DONATED PRODUCT	\$466,049.09	\$6,699,282.38	\$5,142,495.18	\$6,981,077.00	\$6,981,077.00	96%
GRANTS / PROGRAMS						
HPNAP GENERAL OPERATING						
OPERATIONS SUPPORT	\$0.00	\$165,703.00	\$173,507.33	\$166,133.00	\$166,133.00	100%
HPNAP SANITATION SUPPLIES	\$0.00	\$0.00	\$2,191.71	\$2,200.00	\$2,200.00	0%
TRANSPORTATION GRANT	\$0.00	\$28,657.01	\$24,016.18	\$33,750.00	\$33,750.00	85%
OPERATING INCOME	\$40,632.42	\$397,120.07	\$287,239.77	\$375,685.00	\$375,685.00	106%
JSY OPERATING INCOME	\$11,895.93	\$68,736.32	\$131,286.23	\$129,675.00	\$129,675.00	53%
TOTAL HPNAP OPERATING	\$52,528.35	\$660,216.40	\$618,241.22	\$707,443.00	\$707,443.00	93%
OTHER GRANTS / PROGRAMS						
CHEMUNG COUNTY	\$2,500.00	\$30,000.00	\$30,000.00	\$30,000.00	\$30,000.00	100%
NOEP	\$6,705.00	\$67,982.78	\$63,510.01	\$65,000.00	\$65,000.00	105%

Food Bank of the Southern Tier

Income Statement

Total Operations Including Current Month Actuals

	CURRENT MONTH 12/01/2021 12/31/2021	CURRENT YTD ACTUAL 01/01/2021 12/31/2021	LAST YTD ACTUAL 01/01/2020 12/31/2020	PROJECTION TO DATE 01/01/2021 12/31/2021	FULL YR PROJECT. 01/01/2021 12/31/2021	% TO FULL YEAR PROJECTION
NNY OPERATING	\$49,555.00	\$355,058.42	\$0.00	\$343,323.00	\$343,323.00	103%
TEFAP ADMIN	\$7,096.26	\$361,421.03	\$832,494.36	\$373,561.00	\$373,561.00	97%
CFAP ADMIN	\$0.00	\$0.00	\$4,000.00	\$0.00	\$0.00	0%
VENISON PROGRAM	\$0.00	\$3,336.00	\$14,192.00	\$11,000.00	\$11,000.00	30%
RESTAURANT RESILENCY PGM	\$39,259.50	\$39,259.50	\$0.00	\$0.00	\$0.00	0%
TOTAL OTHER GRANTS/PGMS	\$105,115.76	\$857,057.73	\$944,196.37	\$822,884.00	\$822,884.00	104%
TOTAL GRANTS / PROGRAMS	\$157,644.11	\$1,517,274.13	\$1,562,437.59	\$1,530,327.00	\$1,530,327.00	99%
FUNDRAISING / DONATIONS						
CAUSE MARKETING						
CAUSE MARKETING	\$41,681.06	\$528,900.91	\$560,784.57	\$459,000.00	\$459,000.00	115%
	\$41,681.06	\$528,900.91	\$560,784.57	\$459,000.00	\$459,000.00	115%
SPECIAL EVENTS						
SPECIAL EVENTS	\$0.00	\$42,559.00	\$64,551.74	\$39,000.00	\$39,000.00	109%
	\$0.00	\$42,559.00	\$64,551.74	\$39,000.00	\$39,000.00	109%
DIRECT MAIL						
DIRECT MAIL	\$342,207.22	\$1,682,539.69	\$1,845,558.61	\$1,189,000.00	\$1,189,000.00	142%
	\$342,207.22	\$1,682,539.69	\$1,845,558.61	\$1,189,000.00	\$1,189,000.00	142%
ONLINE GIVING						
ONLINE GIVING	\$184,938.56	\$818,736.22	\$1,378,323.47	\$572,000.00	\$572,000.00	143%
	\$184,938.56	\$818,736.22	\$1,378,323.47	\$572,000.00	\$572,000.00	143%
PERSONAL SOLICITATION						
PERSONAL SOLICITATION	\$17,915.00	\$154,826.44	\$210,449.00	\$110,000.00	\$110,000.00	141%
	\$17,915.00	\$154,826.44	\$210,449.00	\$110,000.00	\$110,000.00	141%
TRUCK DONATIONS						
TRUCK DONATIONS	\$0.00	\$0.00	\$8,935.50	\$0.00	\$0.00	0%
	\$0.00	\$0.00	\$8,935.50	\$0.00	\$0.00	0%
GENERAL DEVELOPMENT GRANTS						
OTHER	\$179,287.46	\$832,323.75	\$1,524,469.45	\$638,247.00	\$638,247.00	130%
MOBILE FOOD	\$0.00	\$0.00	\$13,331.00	\$0.00	\$0.00	0%
CHILD HUNGER	\$0.00	\$15,000.00	\$5,832.02	\$0.00	\$0.00	0%
	\$179,287.46	\$847,323.75	\$1,543,632.47	\$638,247.00	\$638,247.00	133%
WHITE MAIL						
WHITE MAIL	\$206,424.12	\$1,213,393.37	\$1,781,744.39	\$1,000,000.00	\$1,000,000.00	121%
	\$206,424.12	\$1,213,393.37	\$1,781,744.39	\$1,000,000.00	\$1,000,000.00	121%

Food Bank of the Southern Tier

Income Statement

Total Operations Including Current Month Actuals

	CURRENT MONTH 12/01/2021 12/31/2021	CURRENT YTD ACTUAL 01/01/2021 12/31/2021	LAST YTD ACTUAL 01/01/2020 12/31/2020	PROJECTION TO DATE 01/01/2021 12/31/2021	FULL YR PROJECT. 01/01/2021 12/31/2021	% TO FULL YEAR PROJECTION
ALL OTHER PRIVATE SUPPORT	\$44,575.70	\$305,116.59	\$340,247.43	\$206,000.00	\$206,000.00	148%
SIF DONATIONS	\$255,000.00	\$325,000.00	\$0.00	\$0.00	\$0.00	0%
TOTAL ALL OTHER PRIVATE SUPPORT	\$299,575.70	\$630,116.59	\$340,247.43	\$206,000.00	\$206,000.00	306%
TOTAL FR/DONATIONS	\$1,272,029.12	\$5,918,395.97	\$7,734,227.18	\$4,213,247.00	\$4,213,247.00	140%
OTHER INCOME						
OTHER INCOME						
INTEREST INCOME	\$348.84	\$6,987.57	\$9,093.35	\$10,000.00	\$10,000.00	70%
ANNUAL MEMBERSHIP	\$0.00	\$0.00	\$3,480.00	\$0.00	\$0.00	0%
RENT	\$0.00	\$0.00	\$9,800.00	\$0.00	\$0.00	0%
INSURANCE CLAIM INCOME	\$0.00	\$0.00	\$2,809.73	\$0.00	\$0.00	0%
CONFERENCE REIMBURSEMENT	\$0.00	\$0.00	\$443.95	\$0.00	\$0.00	0%
MISCELLANEOUS	\$3,589.87	\$18,940.59	\$26,307.88	\$13,250.00	\$13,250.00	143%
TOTAL OTHER INCOME	\$3,938.71	\$25,928.16	\$51,934.91	\$23,250.00	\$23,250.00	112%
TOTAL OTHER INCOME	\$3,938.71	\$25,928.16	\$51,934.91	\$23,250.00	\$23,250.00	112%
TOTAL REVENUE	\$2,496,460.93	\$22,205,308.19	\$24,999,912.06	\$20,431,729.00	\$20,431,729.00	109%
EXPENSES						
PERSONNEL EXPENSES						
SALARIES	\$299,335.23	\$2,428,937.11	\$2,228,172.07	\$2,493,211.00	\$2,493,211.00	97%
FRINGE BENEFITS	\$65,986.46	\$618,278.37	\$543,532.47	\$695,841.00	\$695,841.00	89%
CONTRACT EMPLOYMENT	\$6,007.04	\$8,395.20	\$102,886.05	\$0.00	\$0.00	0%
PAYROLL PROCESSING	\$697.55	\$5,184.47	\$5,504.89	\$5,600.00	\$5,600.00	93%
RECRUITMENT-ADVERTISING	\$250.00	\$4,105.00	\$15.00	\$100.00	\$100.00	4,105%
PERSONNEL EXPENSES	\$74.00	\$1,472.00	\$1,131.00	\$1,500.00	\$1,500.00	98%
TOTAL PERSONNEL EXPENSES	\$372,350.28	\$3,066,372.15	\$2,881,241.48	\$3,196,252.00	\$3,196,252.00	96%
FOOD EXPENSE						
AGENCIES						
WHOLESALE FOOD	\$216,386.17	\$1,936,762.35	\$1,531,973.57	\$2,050,056.00	\$2,050,056.00	94%
TEFAP	\$205,020.05	\$2,537,074.30	\$4,592,748.86	\$2,352,925.00	\$2,352,925.00	108%
TOTAL AGENCIES	\$421,406.22	\$4,473,836.65	\$6,124,722.43	\$4,402,981.00	\$4,402,981.00	102%
MOBILE FOOD PANTRIES						
MFP SHARED MAINTENANCE	\$2,893.03	\$64,962.18	\$3,726.62	\$58,051.00	\$58,051.00	112%
WHOLESALE FOOD	\$4,305.54	\$1,017,174.44	\$179,362.03	\$1,070,214.00	\$1,070,214.00	95%
TEFAP	\$152,092.18	\$1,955,440.88	\$1,495,054.63	\$1,609,859.00	\$1,609,859.00	121%
TOTAL MOBILE FOOD PANTRIES	\$159,290.75	\$3,037,577.50	\$1,678,143.28	\$2,738,124.00	\$2,738,124.00	111%
YOUTH PROGRAMS						
SHARED MAINTENANCE	\$66.12	\$4,484.27	\$19,417.38	\$7,410.00	\$7,410.00	61%

Food Bank of the Southern Tier

Income Statement

Total Operations Including Current Month Actuals

	CURRENT MONTH 12/01/2021 12/31/2021	CURRENT YTD ACTUAL 01/01/2021 12/31/2021	LAST YTD ACTUAL 01/01/2020 12/31/2020	PROJECTION TO DATE 01/01/2021 12/31/2021	FULL YR PROJECT. 01/01/2021 12/31/2021	% TO FULL YEAR PROJECTION
WHOLESALE FOOD	\$11,765.40	\$149,865.08	\$167,718.60	\$165,126.00	\$165,126.00	91%
TEFAP	\$22,980.47	\$174,909.03	\$114,214.11	\$165,079.00	\$165,079.00	106%
TOTAL YOUTH PROGRAMS	\$34,811.99	\$329,258.38	\$301,350.09	\$337,615.00	\$337,615.00	98%
DISASTER RELIEF						
SHARED MAINTENANCE	\$0.00	\$0.00	\$1,198.44	\$0.00	\$0.00	0%
WHOLESALE	\$0.00	\$0.00	\$387,327.39	\$0.00	\$0.00	0%
TEFAP	\$0.00	\$0.00	\$1,626,225.24	\$0.00	\$0.00	0%
TOTAL DISASTER RELIEF	\$0.00	\$0.00	\$2,014,751.07	\$0.00	\$0.00	0%
TOTAL FOOD EXPENSE	\$615,508.96	\$7,840,672.53	\$10,118,966.87	\$7,478,720.00	\$7,478,720.00	105%
OTHER FOOD EXPENSES						
OTHER FOOD/PROGRAM						
TURKEY DRIVE	\$312.75	\$37,404.70	\$69,533.60	\$34,826.00	\$34,826.00	107%
INTERAFFILIATE	\$0.00	\$1,041.90	\$2,390.76	\$3,500.00	\$3,500.00	30%
HEALTHY HARVEST	\$11,475.00	\$122,147.22	\$43,215.08	\$141,500.00	\$141,500.00	86%
MILK DRIVE	\$0.00	\$0.00	\$0.00	\$1,000.00	\$1,000.00	0%
VENISON PROCESSING	\$0.00	\$3,748.00	\$15,020.00	\$11,000.00	\$11,000.00	34%
DISASTER RELIEF	\$0.00	\$25,882.53	\$508,316.35	\$25,883.00	\$25,883.00	100%
HEALTHY HARVEST DISASTER	\$0.00	\$0.00	\$834.37	\$0.00	\$0.00	0%
HOLIDAY FOOD	\$0.00	\$91,710.76	\$0.00	\$91,503.00	\$91,503.00	100%
GRANT DESIGNED WH FOOD	\$10,259.26	\$121,652.64	\$0.00	\$100,898.00	\$100,898.00	121%
INVENTORY ADJUSTMENT	\$0.00	\$4,525.41	\$7,456.51	\$2,500.00	\$2,500.00	181%
AGENCY LINE OF CREDIT	(\$2,364.26)	\$1,679.00	\$907.61	\$500.00	\$500.00	336%
EMERGENCY FOOD BOXES	\$0.00	\$202.19	\$204.59	\$500.00	\$500.00	40%
TOTAL OTHER FOOD/PROGRAM	\$19,682.75	\$409,994.35	\$647,878.87	\$413,610.00	\$413,610.00	99%
PRODUCT ACQUISITION FREIGHT						
PRODUCT FREIGHT	\$0.00	\$26,553.39	\$18,509.67	\$38,000.00	\$38,000.00	70%
TRANSPORTATION GRANT	\$0.00	\$28,657.01	\$24,016.18	\$33,750.00	\$33,750.00	85%
TOTAL PRODUCT FREIGHT	\$0.00	\$55,210.40	\$42,525.85	\$71,750.00	\$71,750.00	77%
TOTAL OTHER FOOD EXPENSES	\$19,682.75	\$465,204.75	\$690,404.72	\$485,360.00	\$485,360.00	96%
DONATED PRODUCT						
DONATED PRODUCT	\$466,049.09	\$6,699,282.38	\$5,142,495.18	\$6,981,077.00	\$6,981,077.00	96%
TOTAL DONATED PRODUCT	\$466,049.09	\$6,699,282.38	\$5,142,495.18	\$6,981,077.00	\$6,981,077.00	96%
WAREHOUSE / DISTRIBUTION						
VEHICLE	\$3,493.46	\$43,908.99	\$44,500.61	\$52,125.00	\$52,125.00	84%
TRUCK WRAP AND DESIGN	\$0.00	\$6,260.00	\$0.00	\$6,260.00	\$6,260.00	100%
TOTAL	\$6,516.95	\$111,371.59	\$369,898.79	\$115,215.00	\$115,215.00	97%

Food Bank of the Southern Tier

Income Statement

Total Operations Including Current Month Actuals

	CURRENT MONTH 12/01/2021 12/31/2021	CURRENT YTD ACTUAL 01/01/2021 12/31/2021	LAST YTD ACTUAL 01/01/2020 12/31/2020	PROJECTION TO DATE 01/01/2021 12/31/2021	FULL YR PROJECT. 01/01/2021 12/31/2021	% TO FULL YEAR PROJECTION
WAREHOUSE	\$4,339.40	\$75,540.14	\$93,853.60	\$76,478.00	\$76,478.00	99%
PRODUCTION ROOM	\$87.96	\$37,056.98	\$28,407.00	\$35,113.00	\$35,113.00	106%
TOTAL WHRS / DISTRIB	\$10,944.31	\$223,968.71	\$492,159.39	\$226,806.00	\$226,806.00	99%
GENERAL OPERATIONS						
BUILDING	\$16,928.51	\$181,254.07	\$190,237.41	\$201,108.00	\$201,108.00	90%
GENERAL OFFICE	\$17,937.16	\$104,091.29	\$146,156.75	\$120,639.00	\$120,639.00	86%
TECHNOLOGY/SERVICES	\$33,026.17	\$112,613.06	\$78,883.33	\$109,992.00	\$109,992.00	102%
STAFF EXPENSES	\$4,328.95	\$42,286.98	\$34,228.53	\$59,221.00	\$59,221.00	71%
CONTRACT SERVICES	\$59,636.98	\$433,665.26	\$371,867.20	\$422,317.00	\$422,317.00	103%
MISCELLANEOUS	\$0.00	\$0.00	(\$2,000.10)	\$0.00	\$0.00	0%
TOTAL GENERAL OPERATIONS	\$131,857.77	\$873,910.66	\$819,373.12	\$913,277.00	\$913,277.00	96%
DEVELOPMENT/PR						
SPECIAL EVENTS	\$3,850.00	\$10,564.25	\$22,878.42	\$14,383.00	\$14,383.00	73%
DIRECT MAIL	\$91,121.96	\$313,218.17	\$287,858.97	\$360,596.00	\$360,596.00	87%
GEN. DEVELOPMENT / PR EXPENSE						
TURKEY DRIVE	\$0.00	\$0.00	\$0.00	\$700.00	\$700.00	0%
	\$13,617.70	\$76,861.78	\$135,832.81	\$97,456.00	\$97,456.00	79%
TOTAL DEVELOPMENT/PR	\$108,589.66	\$400,644.20	\$446,570.20	\$472,435.00	\$472,435.00	85%
ADVOCACY & EDUCATION						
ADVOCACY GROUP/SPEAKERS	\$0.00	\$620.00	\$1,963.13	\$2,770.00	\$2,770.00	22%
TOTAL ADVOCACY & EDUCATION	\$0.00	\$620.00	\$1,963.13	\$2,770.00	\$2,770.00	22%
AGENCY CAPACITY BUILDING						
OPERATION SUPPORT	\$0.00	\$158,413.00	\$173,507.33	\$166,133.00	\$166,133.00	95%
OPERATION SUPPORT- PASS THROUGH	\$21,450.00	\$76,735.28	\$0.00	\$47,487.00	\$47,487.00	162%
FBST OPERATION SUPPORT	\$0.00	\$645.00	\$19,504.43	\$0.00	\$0.00	0%
SANITATION SUPPLIES	\$2,225.42	\$2,225.42	\$2,191.71	\$2,200.00	\$2,200.00	101%
TOTAL CAPACITY BUILDING	\$23,675.42	\$238,018.70	\$195,203.47	\$215,820.00	\$215,820.00	110%
STRATEGIC INVESTMENT						
SIF EXPENSES	\$35,030.95	\$185,421.69	\$0.00	\$321,589.00	\$321,589.00	58%
TOTAL STRATEGIC INVESTMENT	\$35,030.95	\$185,421.69	\$0.00	\$321,589.00	\$321,589.00	58%
TOTAL EXPENSES	\$1,783,689.19	\$19,994,115.77	\$20,788,377.56	\$20,294,106.00	\$20,294,106.00	99%
NET OPERATING + SIF SURPLUS/DEFICT	\$712,771.74	\$2,211,192.42	\$4,211,534.50	\$137,623.00	\$137,623.00	1,607%
STRATEGIC ALLOCATIONS						
PERSONNEL	\$4,381.09	\$52,573.08	\$48,430.92	\$52,573.00	\$52,573.00	100%
STRATEGIC INVESTMENT FUND	\$0.00	\$0.00	\$0.00	\$277,370.00	\$277,370.00	0%

Food Bank of the Southern Tier

Income Statement

Total Operations Including Current Month Actuals

	CURRENT MONTH 12/01/2021 12/31/2021	CURRENT YTD ACTUAL 01/01/2021 12/31/2021	LAST YTD ACTUAL 01/01/2020 12/31/2020	PROJECTION TO DATE 01/01/2021 12/31/2021	FULL YR PROJECT. 01/01/2021 12/31/2021	% TO FULL YEAR PROJECTION
STRATEGIC ALLOCATIONS	\$4,381.09	\$52,573.08	\$48,430.92	\$329,943.00	\$329,943.00	16%
CAPITAL EXPENSES						
CAPTIAL EQUIPMENT	\$23,277.00	\$23,277.00	\$0.00	\$43,778.00	\$43,778.00	53%
CAPITAL IMPROVEMENTS	\$0.00	\$27,047.25	\$17,173.50	\$0.00	\$0.00	0%
CAPITAL EXP.	\$23,277.00	\$50,324.25	\$17,173.50	\$43,778.00	\$43,778.00	115%
NET BEFORE NON-OPERATING	\$693,875.83	\$2,213,441.25	\$4,242,791.92	\$423,788.00	\$423,788.00	522%
NON-OPERATING ADJUST.						
DEPRECIATION/AMORTIZATION	(\$32,903.82)	(\$329,038.06)	(\$389,295.69)	\$0.00	\$0.00	0%
EQUIPMENT/FURNITURE PURCHASES	(\$23,277.00)	(\$23,277.00)	(\$290,930.64)	\$0.00	\$0.00	0%
CAPITAL IMPROVEMENTS	\$0.00	(\$27,047.25)	(\$17,173.50)	\$0.00	\$0.00	0%
BEQUESTS	\$0.00	\$163,246.53	\$0.00	\$163,000.00	\$163,000.00	100%
INVESTMENT GAIN/LOSS	(\$55,320.65)	\$318,620.03	\$187,121.97	\$0.00	\$0.00	0%
RELEASE FROM TEMP RESTRICT	(\$4,381.09)	(\$52,573.08)	(\$48,430.92)	\$0.00	\$0.00	0%
PROVISION FOR DOUBTFUL ACCT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0%
TOTAL NON-OPER ADJUST	(\$69,328.56)	\$150,579.67	\$57,499.50	\$163,000.00	\$163,000.00	92%
NET SURPLUS/(DEFICIT)	\$624,547.27	\$2,364,020.92	\$4,300,291.42	\$586,788.00	\$586,788.00	403%

COMMUNIS

ACCOUNT NAME: CC-FOOD BANK ENDOWMENT

COMMUNIS FUND OF THE DIOCESE OF ROCHESTER
SUMMARY FROM 12/01/2021 TO 12/31/2021

	ALESCO	TOTAL
BEGINNING BALANCE	113,005.72	113,005.72
DEPOSIT	0.00	0.00
WITHDRAWAL	0.00	0.00
TRANSFER	0.00	0.00
INCOME	861.05	861.05
FEES	(28.25)	(28.25)
REALIZED GAINS (LOSSES)	1,635.45	1,635.45
UNREALIZED GAINS (LOSSES)	961.24	961.24
ENDING BALANCE	116,435.21	116,435.21

REPORT PRODUCED BY:



BNY MELLON

CATHOLIC CHARITIES

215 E. CHURCH STREET
ELMIRA

NY 14901

Questions on your statement?

Contact Mary Ziarniak at 328.3228x1263, 1.800.388.1711x1263 or mary.ziarniak@dor.org

COMMUNIS

ACCOUNT NAME: CC-FOOD BANK - SOUTHERN TIER

COMMUNIS FUND OF THE DIOCESE OF ROCHESTER
SUMMARY FROM 12/01/2021 TO 12/31/2021

	ALESCO	TOTAL
BEGINNING BALANCE	3,188,625.05	3,188,625.05
DEPOSIT	0.00	0.00
WITHDRAWAL	0.00	0.00
TRANSFER	0.00	0.00
INCOME	24,295.94	24,295.94
FEES	(797.16)	(797.16)
REALIZED GAINS (LOSSES)	46,146.69	46,146.69
UNREALIZED GAINS (LOSSES)	27,122.73	27,122.73
ENDING BALANCE	3,285,393.25	3,285,393.25

REPORT PRODUCED BY:



BNY MELLON

CATHOLIC CHARITIES

215 E. CHURCH STREET
ELMIRA

NY 14901

Questions on your statement?

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ROMAN CATHOLIC
DIOCESE OF ROCHESTER

The Communis Fund

Investment Review

As of 12/31/2021

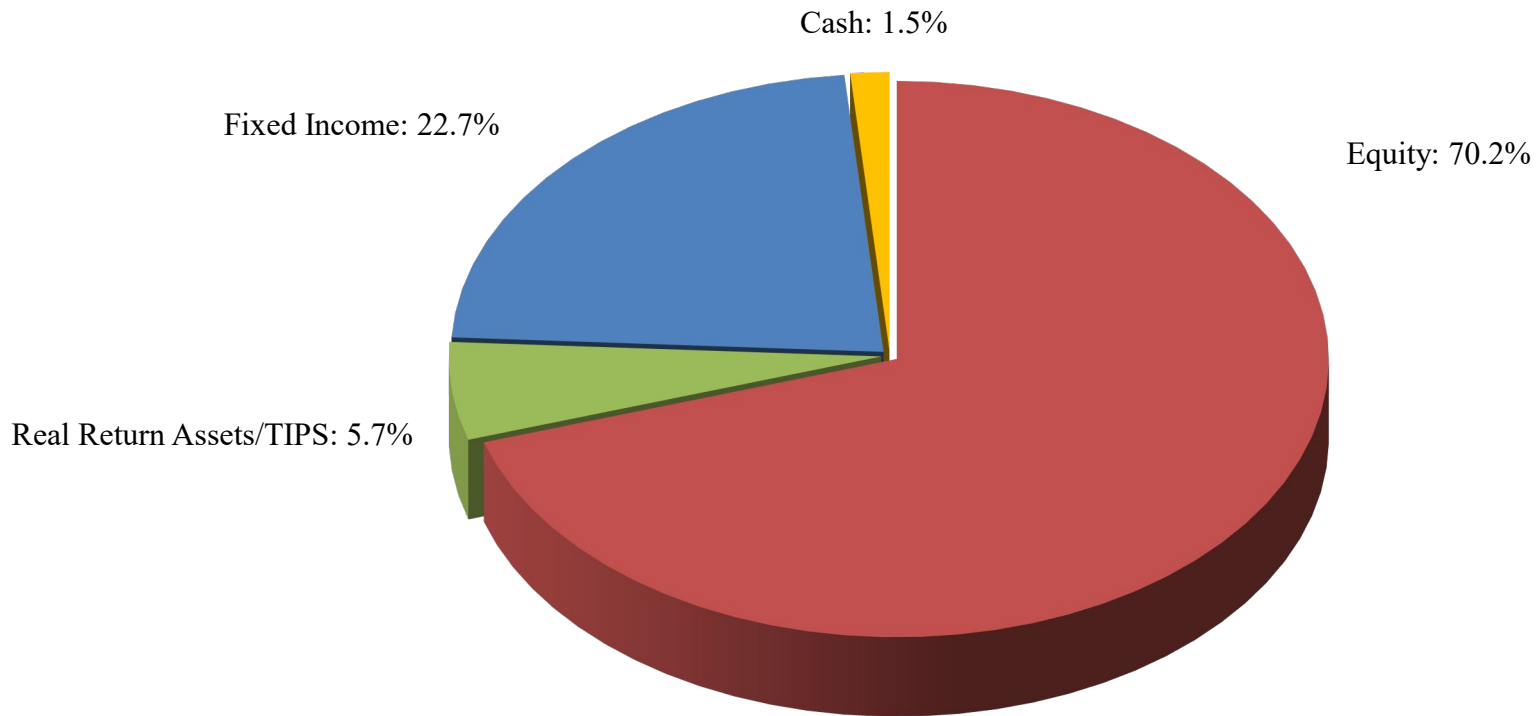
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Executive Summary

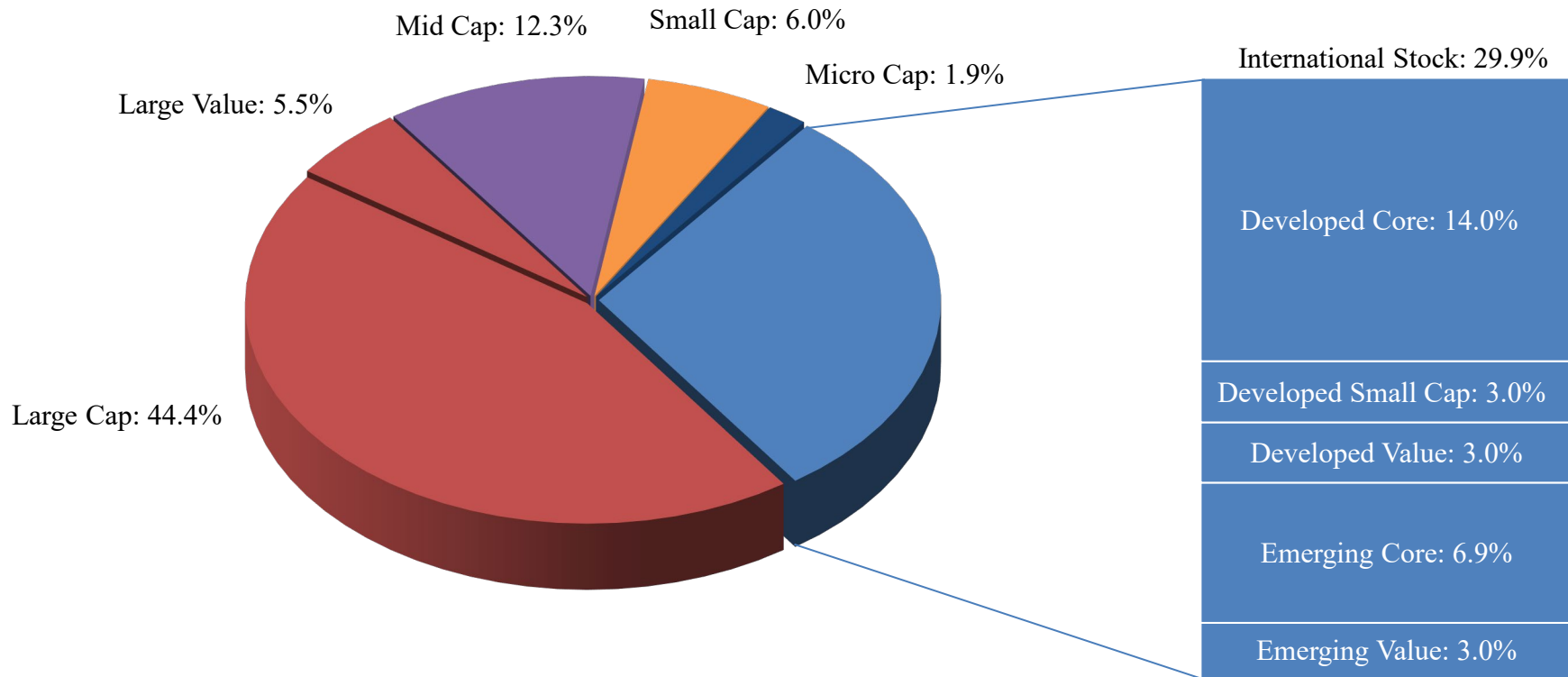
- **Assets** – The Communis Fund assets totaled \$354,662,399 as of December 31, 2021, an increase from the balance of \$339,418,666 as of September 30, 2021. There were net withdrawals of \$1.2 million in the quarter.
- **Asset Allocation** – The Fund was within policy target ranges for equity and fixed income during the quarter.
- **Performance** – The Fund returned 4.9% in the quarter, slightly ahead of the benchmark. For the trailing twelve months, the Fund increased 15.1%, outperforming the benchmark return of 13.3%.

Overall Portfolio



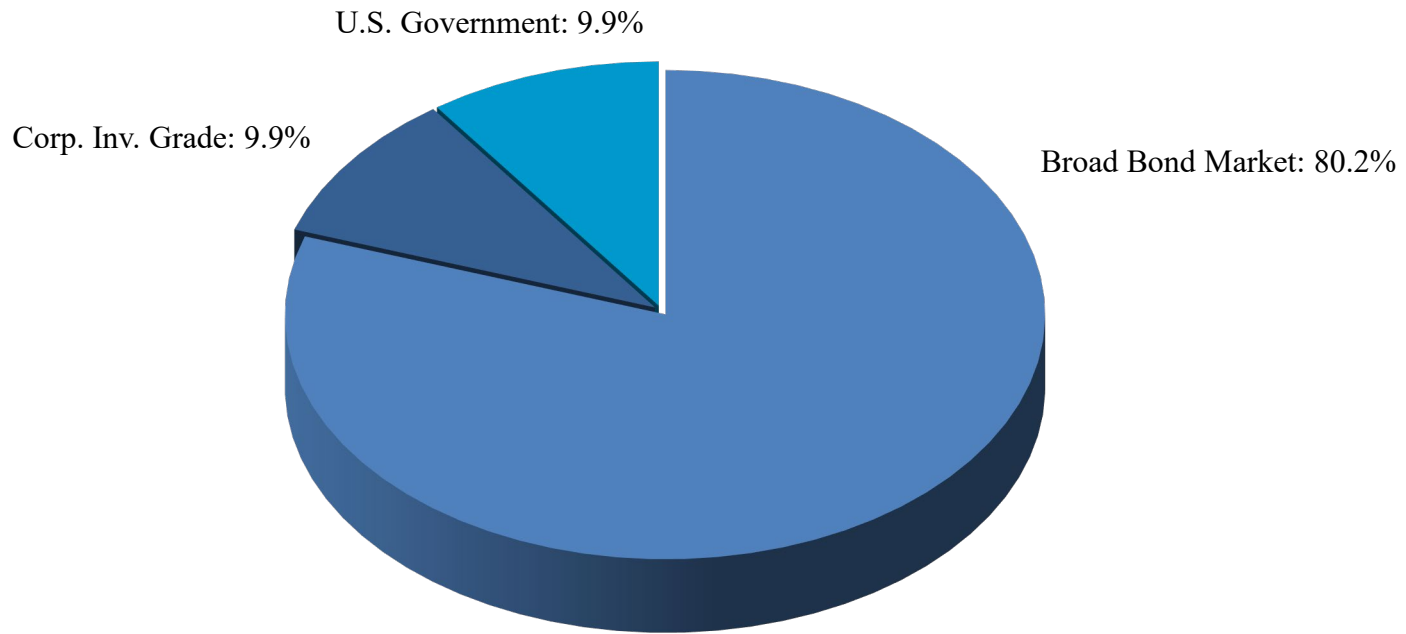
The sum of the values may not equal 100% due to rounding.

Equities



The sum of the values may not equal 100% due to rounding.

Fixed Income



Portfolio Statistics		Benchmark Statistics	
Average Credit Quality	AA	Average Credit Quality	AA
Average Duration	6.0	Average Duration	7.0
Average Maturity	7.5	Average Maturity	8.9
Average Yield to Maturity	1.5%	Average Yield to Maturity	1.7%

The sum of the values may not equal 100% due to rounding.

Portfolio Activity and Performance

Activity	Quarter (\$) (10/1/21-12/31/21)	FYTD (\$) (7/1/21- 12/31/21)	1 Year (\$)	3 Years (\$)	5 Years (\$)	Since Inception (\$)
Value at Beginning of Period	339,418,666.17	344,111,828.82	314,658,451.04	250,490,820.07	215,938,056.51	64,775,961.66
Contributions	2,076,133.43	3,283,815.27	8,794,880.51	29,633,669.20	75,897,375.80	221,235,788.48
Withdrawals	-3,289,346.66	-6,836,087.95	-15,834,372.45	-49,975,165.57	-78,018,539.58	-97,835,323.07
Income Received	5,323,500.72	6,391,379.27	9,414,458.66	22,226,327.95	37,292,338.65	47,180,386.43
Capital Gain/Loss	11,133,445.58	7,711,463.84	37,628,981.48	102,286,747.60	103,553,167.87	119,305,585.74
Value at End of Period	354,662,399.24	354,662,399.24	354,662,399.24	354,662,399.24	354,662,399.24	354,662,399.24
Total Investment Gain after Fees	16,456,946.30	14,102,843.11	47,043,440.14	124,513,075.55	140,845,506.52	166,485,972.17
Performance						
Portfolio Return	4.9%	4.1%	15.1%	15.0%	10.3%	8.8%
Weighted Benchmark ¹	4.8%	4.4%	13.3%	16.1%	11.4%	9.4%
Consolidated Portfolio Return ²					10.3%	8.6%

Inception Date: 02/04/2013

Portfolio performance is net of fees. Performance for periods greater than twelve months are annualized.

¹Weighted Benchmark is currently comprised of: 46.2% Russell 3000 / 19.8% MSCI ACW ex. U.S. / 11.0% Real Return / 23.0% Bloomberg Barclays Aggregate.

²Includes the performance of investment managers external of Alesco Advisors.

Monthly Cash Flow

	<u>October</u>	<u>November</u>	<u>December</u>	<u>10/01/21 to 12/31/2021</u>
Contributions	\$921,518	\$440,857	\$713,759	\$2,076,133
Withdrawals	-\$1,165,587	-\$908,552	-\$1,215,207	-\$3,289,347
Investment Income	\$116,315	\$112,059	\$5,126,377	\$5,354,751
Bank Fees	\$0	\$0	-\$31,250	-\$31,250

	<u>Semi-Annual Management Fee¹</u>	<u>Date</u>
Alesco Advisors	NA	NA

¹Management fees are semi-annual based on the following schedule: 0.125% on assets under management from \$0-\$50MM; 0.100% on assets under management from \$50MM-\$100MM; and 0.075% on assets under management >\$100MM.

Performance

	Quarter (10/1/21-12/31/21)	FYTD (7/1/21-12/31/21)	1 Year	3 Year Annualized	5 Year Annualized	Since Inception Annualized
EQUITIES	6.9%	5.8%	22.2%	19.8%	13.6%	12.3%
Equity Blended Benchmark ¹	7.0%	6.0%	20.1%	21.9%	15.5%	13.3%
<i>Russell 3000 All Cap</i>	9.3%	9.2%	25.7%	25.8%	18.0%	15.8%
S&P 500 Large Cap	11.0%	11.7%	28.7%	26.1%	18.5%	16.2%
S&P 400 Mid Cap	8.0%	6.1%	24.8%	21.4%	13.1%	13.1%
S&P 600 Small Cap	5.6%	2.6%	26.8%	20.1%	12.4%	13.8%
<i>MSCI AC World ex U.S.</i>	1.8%	-1.2%	7.8%	13.2%	9.6%	5.9%
MSCI EAFE Developed	2.7%	2.2%	11.3%	13.5%	9.6%	6.6%
MSCI Emerging Markets	-1.3%	-9.3%	-2.5%	10.9%	9.9%	4.0%
FIXED INCOME	0.0%	0.1%	-1.3%	4.6%	3.4%	2.7%
Bloomberg US Aggregate	0.0%	0.1%	-1.5%	4.8%	3.6%	2.9%
REAL RETURN ASSETS	1.8%	3.3%	5.7%	4.9%	3.2%	0.4%
Real Return Blended Benchmark ²	1.5%	3.3%	5.7%	3.8%	2.3%	-0.8%
Consumer Price Index	2.2%	3.4%	7.1%	3.5%	2.9%	2.2%
TOTAL PORTFOLIO	4.9%	4.1%	15.1%	15.0%	10.3%	8.8%

Inception Date: 02/04/2013

Total portfolio performance is net of fees. Performance returns for periods greater than twelve months are annualized.

¹Equity Blended Benchmark is currently comprised of: 70% Russell 3000 / 30% MSCI ACW ex. U.S.

²As of 06/30/2020 the Real Return Blended Benchmark is comprised of: 100% Bloomberg Barclays TIPS.

Fund Detail

	Expense Ratio	Category Average Expense Ratio	TRAILING RETURNS				
			Quarter	1-Year	3-Year	5-Year	10-Year
Equities							
Vanguard Institutional Index I (VINIX)	0.04	0.81	11.02	28.67	26.05	18.44	16.52
S&P 500 TR USD			11.03	28.71	26.07	18.47	16.55
iShares Core S&P 500 ETF (IVV)	0.03	0.81	11.02	28.66	26.03	18.44	16.50
S&P 500 TR USD			11.03	28.71	26.07	18.47	16.55
SPDR® Portfolio S&P 500 Value ETF (SPYV)	0.04	0.93	8.29	24.82	18.62	11.85	13.15
S&P 500 Value TR USD			8.31	24.90	18.65	11.90	13.29
iShares Core S&P Mid-Cap ETF (IJH)	0.05	0.93	7.98	24.68	21.34	13.03	14.12
S&P MidCap 400 TR			8.00	24.76	21.41	13.09	14.20
SPDR® S&P 400 Mid Cap Value ETF (MDYV)	0.15	0.99	7.93	30.43	19.44	10.97	13.38
S&P MidCap 400 Value TR USD			7.97	30.65	19.55	11.08	13.55
iShares Core S&P Small-Cap ETF (IJR)	0.06	1.02	5.60	26.69	20.06	12.40	14.47
S&P SmallCap 600 TR USD			5.64	26.82	20.11	12.42	14.50
Bridgeway Ultra-Small Company Market (BRSIX)	0.79	1.17	-7.64	22.31	20.98	10.54	13.28
Russell Micro Cap			-2.66	19.34	20.90	11.69	13.62

Source: Morningstar. Returns for periods over one year are annualized. Category expense ratio uses average mutual fund in category assigned by Morningstar.

Fund Detail

	Expense Ratio	Category Average Expense Ratio	TRAILING RETURNS				
			Quarter	1-Year	3-Year	5-Year	10-Year
Equities							
iShares Core MSCI EAFE ETF (IEFA)	0.07	0.94	2.79	11.29	14.01	9.96	-
MSCI EAFE IMI NR USD			2.28	11.08	13.84	9.76	8.39
iShares MSCI EAFE Value ETF (EFV)	0.35	1.01	1.69	10.82	7.71	5.21	5.63
MSCI EAFE Value NR USD			1.17	10.89	7.82	5.34	5.81
DFA International Small Company I (DFISX)	0.44	1.18	1.66	14.24	15.74	10.23	9.97
MSCI World Ex USA Small Cap NR USD			0.39	11.14	16.27	11.03	9.99
iShares Core MSCI Emerging Markets ETF (IEMG)	0.11	1.19	-0.79	-0.64	11.33	9.99	-
MSCI EM IMI NR USD			-0.98	-0.28	11.58	10.06	5.71
DFA Emerging Markets Value I (DFEVX)	0.46	1.19	0.43	12.41	8.19	8.33	4.77
MSCI EM Value			-0.41	4.00	7.09	7.02	3.31

Source: Morningstar. Returns for periods over one year are annualized. Category expense ratio uses average mutual fund in category assigned by Morningstar.

Fund Detail

	Expense Ratio	Category Average Expense Ratio	TRAILING RETURNS				
			Quarter	1-Year	3-Year	5-Year	10-Year
Equities							
Fixed Income							
Vanguard Total Bond Market Index I (VBTIX)	0.04	0.59	-0.08	-1.65	4.83	3.59	2.87
Bloomberg US Agg Float Adj TR USD			0.05	-1.58	4.91	3.64	2.94
Schwab Short-Term US Treasury ETF™ (SCHO)	0.04	0.64	-0.60	-0.66	1.97	1.55	1.01
Bloomberg US Treasury 1-3 Yr			-0.58	-0.60	2.03	1.61	1.09
SPDR® Blmbg Barclays Inv Grd Flt Rt ETF (FLRN)	0.15	0.44	-0.09	0.29	1.65	1.70	1.52
Bloomberg USFRN 5- Yr TR USD			-0.06	0.45	1.93	1.96	1.75
Real Return Assets							
Vanguard Inflation-Protected Secs I (VIPIX)	0.07	0.61	2.22	5.72	8.29	5.22	3.01
Bloomberg US Treasury US TIPS TR USD			2.36	5.96	8.44	5.34	3.09
Vanguard Shrt-Term Infl-Prot Sec Idx Ins (VTSPX)	0.04	0.61	1.13	5.32	5.04	3.29	-
Bloomberg US TIPS 0-5 Year TR USD			1.17	5.34	5.09	3.32	1.89

Source: Morningstar. Returns for periods over one year are annualized. Category expense ratio uses average mutual fund in category assigned by Morningstar.

Portfolio Holdings

Security	Symbol	Quantity	Unit Cost (\$)	Total Cost (\$)	Price (\$)	Value (\$)	Percent of Portfolio
CASH AND EQUIVALENTS							
DREYFUS INSTITUTIONAL PFD TREASURY 466	99VVCCW71			4,960,978.00		4,960,978.00	1.40%
CASH	cash			105,296.42		105,296.42	0.03%
ACCRUED DIVIDENDS	divacc			66,671.27		66,671.27	0.02%
TOTAL				5,132,945.69		5,132,945.69	1.45%
EQUITIES							
ISHARES CORE S&P 500 ETF	IVV	128,450	230.17	29,565,475.51	476.99	61,269,365.50	17.28%
VANGUARD INSTITUTIONAL INDEX FUND	VINIX	121,557	163.71	19,899,591.96	405.79	49,326,449.47	13.91%
ISHARES CORE MSCI EAFE	IEFA	466,450	57.50	26,821,011.73	74.64	34,815,828.00	9.82%
ISHARES CORE S&P MID CAP ETF	IJH	79,700	150.91	12,027,795.51	283.08	22,561,476.00	6.36%
ISHARES CORE MSCI EMERGING MKTS ETF	IEMG	287,425	51.32	14,750,556.80	59.86	17,205,260.50	4.85%
ISHARES CORE S&P SMALL CAP ETF	IJR	129,700	61.50	7,975,981.27	114.51	14,851,947.00	4.19%
SPDR PORTFOLIO S&P 500 VALUE ETF	SPYV	326,150	28.07	9,155,539.90	42.00	13,698,300.00	3.86%

Portfolio Holdings: Continued...

Security	Symbol	Quantity	Unit Cost (\$)	Total Cost (\$)	Price (\$)	Value (\$)	Percent of Portfolio
SPDR S&P 400 MID CAP VALUE ETF	MDYV	113,350	47.78	5,415,455.46	71.10	8,059,185.00	2.27%
DFA INTERNATIONAL SMALL-CAP FUND	DFISX	345,862	18.01	6,228,036.03	21.78	7,532,884.36	2.12%
ISHARES MSCI EAFE VALUE ETF	EFV	146,900	43.39	6,373,681.49	50.39	7,402,291.00	2.09%
DFA EMERGING MARKETS VALUE FUND	DFEVX	236,945	25.74	6,099,474.28	31.01	7,347,668.14	2.07%
BRIDGEWAY ULTRA-SMALL COMPANY MARKET FUND	BRSIX	350,037	12.63	4,419,300.35	13.67	4,785,005.08	1.35%
TOTAL				148,731,900.29		248,855,660.04	70.17%
FIXED INCOME							
VANGUARD TOTAL BOND MARKET INDEX FUND INST	VBTIX	5,772,583	11.13	64,243,895.47	11.19	64,595,197.74	18.21%
VANGUARD SHORT TERM CORPORATE BOND INDEX FUND	VSTBX	294,985	27.12	8,000,000.00	27.09	7,991,150.45	2.25%
SCHWAB SHORT TERM US TREASURY	SCHO	157,000	50.97	8,002,290.00	50.85	7,983,450.00	2.25%
TOTAL				80,246,185.47		80,569,798.19	22.72%
REAL RETURN ASSETS							
VANGUARD INFLATION-PROTECTED SECURITIES FUND	VIPIX	1,006,989	10.93	11,001,528.62	11.59	11,671,004.96	3.29%

Portfolio Holdings: Continued...

Security	Symbol	Quantity	Unit Cost (\$)	Total Cost (\$)	Price (\$)	Value (\$)	Percent of Portfolio
VANGUARD SHORT-TERM INFLATION-PROTECTED SECURITIES INDEX FUND	VTSPX	327,368	25.04	8,198,452.30	25.76	8,432,990.35	2.38%
TOTAL				19,199,980.92		20,103,995.32	5.67%
GRAND TOTAL				253,311,012.37		354,662,399.24	100.00%

Exhibit A - Investment Policy Statement

The Communis Fund of the Diocese of Rochester, Inc. Investment Policy Statement

I. PHILOSOPHY

The Communis Fund of the Diocese of Rochester, Inc. (“Communis”) is a New York not-for-profit corporation organized exclusively for religious, charitable or educational purposes and not for pecuniary or financial gain. Under the direction of a Board of Directors (the “Board”) elected by the Diocesan Bishop, the Vicar General and the Chancellor of the Diocese of Rochester as Members, Communis receives funds from the Diocese, and its parishes, schools, institutions and organizations for investment. In addition, Communis receives funds from the Diocese of Rochester Priests’ Retirement Plan Trust and the Diocese of Rochester Lay Employees’ Retirement Accumulation Plan Trust for investment. The Diocese, in conjunction with the record keeper and trustee, The Bank of New York Mellon, maintains an accounting system to segregate funds by participant.

The assets held by Communis support an ever-broadening array of activities that assure the Diocese’s future mission. The Communis Board of Directors, ever mindful of their stewardship, have caused this statement to be prepared as a policy framework for a disciplined process that seeks to add value and minimize risk for the Diocese as well as those who benefit from these assets.

The principal reason for developing a long-term Investment Policy and for putting it in writing is to protect against ad hoc revisions to the long-term investment strategy. The written Investment Policy will help maintain a long-term perspective when short-term market movements may be distressing and emotional reactions are most apt to occur.

II. ROLES AND RESPONSIBILITIES

Board

The Board of Directors of Communis are elected by the members of the Communis Corporation: the Bishop, the Vicar General and the Chancellor of the Diocese of Rochester. The Board is responsible for this Investment Policy and for the management of the business and affairs of Communis. The Board oversees the operations of Communis including selection of service providers.

Investment Advisors

The Board shall select one or more independent Investment Advisors (the “Advisors”) to manage the investment assets of Communis. The Advisors have ultimate fiduciary responsibility for the Communis assets. The Advisors will manage the assets on a discretionary basis within the parameters of this Investment Policy. The Advisors will periodically reviews investment performance with the Board and ensures compliance with the Investment Policy. The Advisors should also periodically review the propriety of this Investment Policy considering the investment needs of Communis.

Recordkeeper

Currently, The Bank of New York Mellon serves as the record keeper of the individual participant's balance.

Custodian

Currently, The Bank of New York Mellon serves as Custodian of the funds invested in Communis.

III. SPENDING GUIDELINES**Spending and Spending Limitations****Endowment/Quasi-endowment Funds**

The amount of endowment return available for current spending (distribution) during the fiscal year is to be determined on the basis of the market value as of the preceding December 31st. Based on the long term duration and preservation of the endowment funds or principal, the purposes of the Diocesan Organizations and their endowment funds, general economic conditions, the possible effects of deflation or inflation, the expected total return from income and the appreciation of investments, other resources of the Diocesan Organizations, alternatives to expenditure of the endowment funds where appropriate and circumstances would otherwise warrant, and the investment policies of the Diocesan Organizations, the distribution is not to exceed 5.0 percent of the average market value for the last 20 quarters unless otherwise approved by the Bishop's Stewardship Council of the Diocese of Rochester.

Retirement Funds

Distributions from the retirement funds will be used to pay retirement benefits and other expenses as required.

IV. INVESTMENT OBJECTIVES**Time Horizon & Risk Tolerance**

The investment objectives are based upon a very long-term investment horizon, so interim fluctuations should be viewed from that perspective. Similarly, the asset allocation approach is based on this same perspective. Risk is inherent in all forms of investment, and in particular, the types of long-term assets in Communis will be susceptible to capital risk. The time horizon of Communis gives it the ability to ride out considerable fluctuations in value, but stops short of the risk level associated with full investment in stocks on a constant basis.

Prioritization of Investment Objectives

- A. The primary objective is the pursuit of long-term capital growth, with a goal of meeting the long-term needs of Communis.

- B. The secondary objective is for the rate of investment return to exceed the rate of inflation over the long-term.
- C. A third objective, much lower in priority than the other two, will be moderation of portfolio volatility.

This Investment Policy is explicitly designed to encourage a long-term investment horizon. This means that the majority of the assets will be invested in long-term (i.e. higher risk and higher return) securities at virtually all times. Consequently the market value of the funds invested in Communis will be subject to material levels of short-term volatility. Further, the secondary objective establishes that these assets will primarily be stocks, with bonds and cash playing a minority role. However, there is still a role for bonds and cash, as there is a desire to dampen the more extreme swings of volatility associated with stocks, as reflected by the last objective.

V. INVESTMENT GUIDELINES

Types of Assets

The Advisors will act in a fiduciary manner consistent with the Investment Advisors Act of 1940. Holdings will be consistent with such standards, and the Communis portfolio must be diversified by allowing the Advisors the flexibility to invest in various types of assets. The following types of assets are among those approved for investment.

Equity Investments

Types

- Common Stocks
- Preferred Stocks
- Convertible Securities (including Debentures)
- Foreign Stocks, excluding direct foreign investments in emerging markets (Emerging market ADR's permitted)

Diversification

The equity portfolio should be well-diversified to avoid undue exposure to any single economic section, industry group or individual security. No more than 10% of total Communis assets at market at time of purchase shall be invested in the securities of any one issuer. No more than 30% of the total Communis assets at market at time of purchase shall be invested in any one industry. For the purpose of this Investment Policy, mutual funds and exchange traded funds shall not be considered the issuer of securities, but rather the diversification guideline will apply to the underlying securities of those funds as a percentage of the Communis assets.

Equity Allocation Limits

Equity investments are expected to comprise no more than 80% and no less than 30% of the total market value of the Communis assets at the time of purchase. These allocation parameters will become effective after the period of initial positioning of the Communis assets.

Fixed Income/Cash Investments

Types

- U. S. Government and Agency Securities (Bills, Notes and Bonds)
- Commercial paper
- Certificates of Deposit
- Corporate Bonds
- Master Notes
- Insurance Company Contracts
- Money Market Funds

Diversification

No limitations are placed on investments in U. S. Government guaranteed obligations (including any full guaranteed Federal Agency obligations). Investments in any one issuer (excluding direct or indirect obligations of the U.S. Government) shall not exceed 10% of total Communis assets at time of purchase. Fixed income holdings should not represent more than 10% of a total particular issue. For the purpose of this Investment Policy, mutual funds and exchange traded funds shall not be considered the issuer of securities, but rather the diversification guideline will apply to the underlying securities of those funds as a percentage of the Communis assets.

Fixed/Cash Allocation Limits

Fixed income and cash equivalent investments are expected to comprise no less than 20% and no more than 70% of the total market value of the Communis at the time of purchase. Fixed income investments will maintain an average credit quality, as defined by Standard and Poor's Investor Service, of "A" or better at all times. Any idle cash not invested by the Advisors shall be invested daily in interest bearing securities through an automatic sweep provided by the custodian.

Total Portfolio Guidelines

All assets selected for inclusion in Communis must have a readily ascertainable market value and must be generally considered marketable at time of purchase. The following types of assets or transactions are expressly prohibited (unless approved by the Board):

- Direct investment in Commodities and Futures
- Warrants
- Eurobonds
- Naked Option Transactions
- Margin Purchase of Securities
- Unregistered or Restricted Stock

- Investments classified as level 3 by the Financial Accounting Standards Board Statement Number 157 (FASB 157)
 - Private Placements or equity
 - 144a Securities
 - Hedge Funds
- Do not buy directly in companies identified as engaging in abortion activities, embryonic stem cell research and human cloning
- Do not buy directly in companies identified as having unacceptable involvement in pornography or producing contraceptives
- Do not buy directly in companies primarily engaged in military weapons production or anti-personnel landmines.

Summary of Allocation Limits (at time of purchase)

	<u>Maximum</u>	<u>Minimum</u>
Total Stocks (U.S. & Foreign)	80%	30%
Fixed Income (Bonds, Notes, & Cash)	70%	20%

VI. PERFORMANCE MEASUREMENT OF INVESTMENT OBJECTIVES

- A. The Board may hire Advisors on an evaluation of their investment philosophies and long-term performance. Advisors must adhere to their stated investment philosophies and goals.
- B. Investment performance results shall be monitored on a periodic basis, with a written quarterly report presented to the Board and evaluated in accordance with the following:
 - Return/downside protection trade-off vs. market indexes
 - Comparison against a peer group or market benchmark with similar long-term asset allocation levels
 - Long-term Treasury Bonds
 - The Consumer Price Index (Inflation)
- C. The Board recognizes that performance statistics only become meaningful over full market cycles, and thus will base performance evaluation on a market cycle analysis.
- D. The Advisors must advise the Board, in writing, of any material changes in the Advisor's organization, decision making structure, ownership, investment style, key personnel or any other significant change affecting the Advisor's relationship with the Communis assets along with a statement as to the anticipated impact on the Advisors ability to provide the same style and type of money management on a continuing basis, as required by the Investment Advisors Act of 1940.

MARKET COMMENTARY & OUTLOOK

Q4 2021

Robust returns in the fourth quarter of 2021 capped off a tremendous year for stock markets. Record levels of company profits and strong economic fundamentals propelled the S&P 500 Index to a total return of 11.0% for the quarter and 28.7% for the year. Most other segments of the stock market did not keep pace with the S&P 500 but still had excellent returns, with small losses in emerging markets representing the lone weak spot.

Broad bond market indexes lost some ground during the year as interest rates edged higher, although increasing inflation expectations helped TIPS (Treasury Inflation Protected Securities) significantly outperform traditional bonds.

	4Q2021	2021
S&P 500 Large Cap	11.0%	28.7%
S&P 600 Small Cap	5.6%	26.8%
MSCI EAFE	2.7%	11.3%
MSCI Emerging Markets	-1.3%	-2.5%
Bloomberg Aggregate Bond	0.0%	-1.5%
Bloomberg TIPS	2.4%	6.0%

Total returns. Source: Bloomberg

Revised expectations for the path of monetary policy have been weighing on markets so far in 2022, with the S&P 500 Index declining 9.1% as of January 25. Retrenchments of this magnitude are normal for stock markets; what is abnormal is that there had not been a selloff this sizeable since September 2020.

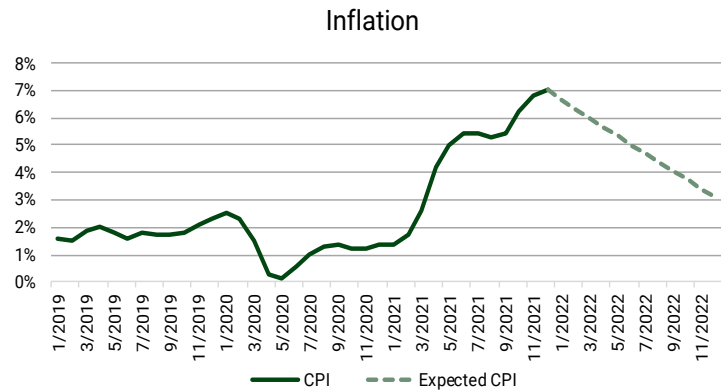
Inflation

Inflation returned to the spotlight for investors in 2021 after being a perennial nonconcern. Initially, inflation spikes were concentrated in a few specific areas such as lumber and automobiles, where production was severely disrupted by supply chain issues, and travel spending coinciding with initial vaccine rollouts. As the year progressed, inflationary impacts widened across a spectrum of both goods and services, with the Consumer Price Index (CPI) posting an increase of 7% over the course of the year. Higher prices had been widely expected coming into 2021, but the magnitude of the change caught many observers off guard.

As recently as March 2021, the Federal Reserve was projecting a 2.4% price increase for the year. Similarly, economists surveyed by the Wall Street Journal in January 2021 were anticipating inflation for the year of 2.1%. What caused these groups that have access to the best education and economic information to miss the mark so dramatically? In part, it was difficult to anticipate the effects and severity of supply chain problems and labor shortages. There was also an expectation that, following the disruptions in 2020, the economy would quickly revert to its pre-pandemic characteristics. This experience should highlight the unpredictable nature of the economy and serve as a cautionary tale against the temptation to overreact to predictions.

The same economist survey is now expecting inflation to decline over the course of 2022, touching 5% by the middle of the year before falling to 3.1% at year-end. Some moderation in the pace of price increases is reasonable since the transportation backlogs affecting the availability of goods should improve but will take time to dissipate. For example, price changes for new and used vehicles alone

contributed 1.5% to the 7.0% inflation rate, but price increases peaked in June. Also, the sharp increase in energy prices, which contributed 1.8% to the CPI increase, would be difficult to repeat. For example, gasoline prices increased 50% in 2021. To have the same impact on CPI in 2022, gas prices do not need to simply stay at high levels but continue to increase at the same rate for another year. However, other factors may continue to exert upward pressure on the overall inflation rate. Rising housing prices can have a lagged effect on inflation as it takes time for rents to reset, and expectations for wage increases may become increasingly entrenched. Mixed signals among these factors indicate that we should treat current expectations with a great deal of uncertainty.



Source: Bloomberg, WSJ survey, year-over-year data

Employment

The job market is an important factor when considering the potential for sustained inflation. Higher demand throughout the economy has meant that businesses need more workers. Simultaneously, the size of the workforce has declined by 2.3 million people over the past two years. This has been due to potential workers that are caring for children or other family members, concerns over COVID-19, a dramatic increase in retirements that have exaggerated demographic trends, and restrictions on immigration. Job turnover is also extremely high; over 4.5 million workers quit their jobs in November, the most since this data began being tracked over 20 years ago. In total, the U.S. economy now has 4.2 million more job openings than unemployed workers.

Meanwhile, the unemployment rate dropped from 6.7% at the beginning of the year to 3.9% in December, marking the swiftest decline in any year since official records began in 1948. The unemployment rate for high school graduates with no college education declined even faster, from 7.9% to 4.6%. The combination of lower supply and higher demand for workers is causing wages to rise. Average wages increased 5.8% in 2021 after rising 5.5% in 2020. These are the only two years above 5% since 1981, based on data for production and nonsupervisory employees. Expectations for higher rates of pay and, more importantly, the ability to obtain them, are set up to be a contributing factor for continued inflation.

Monetary Policy

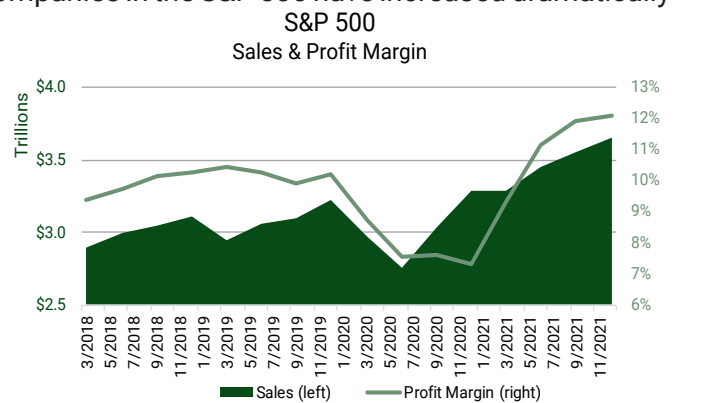
Inflation risk is impacting monetary policy. We have seen a reversal of mindset at the Federal Reserve, which entered 2021 seeking “substantial further progress” in the economic recovery, then began describing inflation as “transitory” in the middle of the year, and ended the year by accelerating policy actions to curb the rise in prices. In November, the Fed began phasing out an emergency program that began in March 2020 by reducing the amount of bonds it has been purchasing each month. By December, it had already decided to quicken the pace, putting it on track to end new purchases by March 2022. Markets now expect the Fed to increase interest rates soon, with projections for the Fed Funds rate to rise 0.75%-1.00% from near zero levels by the end of this year. This represents a significant shift in monetary policy; just nine months ago, short term interest rates were not expected to reach 1% until 2024.

Changing policy expectations demonstrates that the Federal Reserve no longer has the luxury of waiting to see if inflation cools on its own before taking more substantial action. The expected return to a more normal policy environment comes with implications for bond markets. Recently, longer-term interest rates have been on the rise as policy shifts have become apparent. The yield on a ten-year U.S. Treasury note climbed from 1.35% to 1.75% over the last few weeks. Higher yields mean declines in the value of bonds; accordingly, the Bloomberg U.S. Aggregate Bond Index has fallen 2.4% over the same period. Alesco has purchased shorter-term bonds in the fixed income portion of our clients' accounts, reducing the impact of losses in the bond market. However, bonds continue to play an important role in portfolios for many investors and still present a source of stability. There is a saying that a bad year in the bond market is a bad day in the stock market. There is truth in this concept. The volatility of the bond market is not on the same scale as the volatility of the stock market. Restrictive monetary policy can also have negative effects on stock markets at times, as we are seeing currently. Therefore, we continue to recommend maintaining a balance between growth-seeking assets (such as stocks) and more stable assets (such as bonds) as may be appropriate for your investment goals.

Stock Market Earnings

2021 marked the third consecutive year of outsized gains for the S&P 500 Index, with a cumulative total return of 100% since the beginning of 2019. How did this happen? Stock market investing is a form of business ownership, and gains are a direct result of the profits companies are currently producing and expectations for profits in the future. Earnings for companies in the S&P 500 have increased dramatically in the past few years, from an average of \$29 per share in the fourth quarter of 2018 to an estimate of almost \$48 per share for the fourth quarter 2021.

Earnings are a function of record high profit margins applied to soaring sales figures. Sales growth, and demand more generally throughout the economy, has benefited from consumers that are in strong financial positions. A combination of the lowest debt payments in decades, rising housing values, and abundant employment opportunities has left consumers with both a willingness and ability to spend. Additionally, government spending is extraordinarily high, largely the result of federal stimulus packages that have been enacted during the past two years. There has been a mild slowdown in some economic data that coincided with the emergence of the Omicron variant, but markets appear to be viewing the effects as temporary, and the economic impacts of COVID-19 seem to lessen with each successive wave.



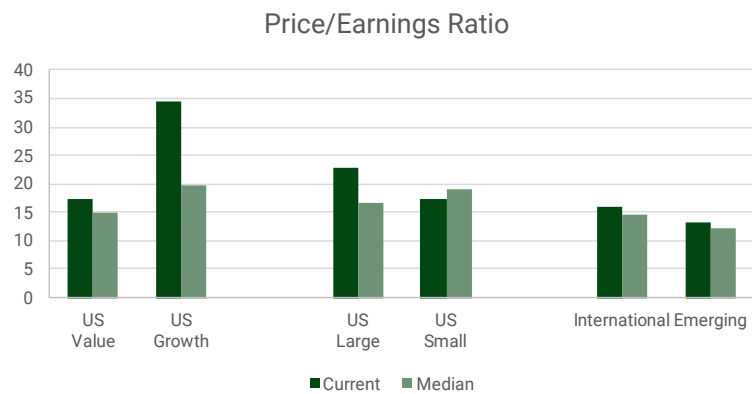
Source: Bloomberg

Stock Market Valuations

Returns in recent years have been abnormally high. While it is common to predict lower returns going forward, the unpredictability of stock markets holds true just as much after good years as any other time. Dating back to the Great Depression, the average return for markets in years following a gain of at least 20% is about the same as the average for any other year. There are clearly some potential near-term challenges that could negatively impact corporate earnings, including high wage growth, a difficult path forward for additional federal spending programs, and expectations for more restrictive monetary

policy. The extent to which any of these factors inhibits demand could also make it more difficult for companies to pass along inflationary cost increases to their customers. However, these are all widely known issues and are factored into stock prices. This is evidenced by a decline in the price/earnings ratio for the S&P 500 over the past year. Even though the price level of the S&P 500 increased by 27% during 2021 (not including dividends), expected earnings increased even more, resulting in the price/earnings ratio dropping from 27.0 at the beginning of the year to 22.8 by the end.

A price/earnings ratio of 22.8 still characterizes an above average valuation and is higher than before the pandemic. While we believe investors should continue to have confidence in the long-term growth potential of the S&P 500, that index does not represent the entire stock market. Many other market segments are more attractively priced and may denote areas of opportunity. For example, price/earnings multiples for value stocks, small cap stocks, and international stocks are all near average levels relative to their history. This is in sharp contrast to large growth stocks, which are trading at very high multiples. Such valuation metrics are not useful in predicting short-term performance but are typically more helpful in identifying the longer-term return potential of different market segments.



Price-to-forward earnings. Median based on past 20 years. Russell 1000 Value, Russell 1000 Growth, S&P 500, S&P 600, MSCI EAFE, MSCI Emerging. Source: Bloomberg

This valuation information emphasizes the importance of diversification, since maintaining investments in less richly priced markets (like value stocks or international stocks) can lessen an investment portfolio’s exposure to risks that may have more impact on large, growth-oriented U.S. companies. One example is the risk of higher interest rates. Share prices for faster growing companies have benefited from low interest rates since the present value of their far-off profits are barely discounted. Higher interest rates would make those profits less valuable today and have a negative effect on the company’s stock price. More established companies with lower growth rates are more frequently categorized as value stocks and are less affected by discount rates since investors are less reliant on profits as far out in the future. Accordingly, we have been seeing a clear positive relationship between changes in interest rates and the relative outperformance of value stocks.

In addition, U.S. government policy, both in terms of spending and low interest rates, has been highly supportive of economic growth. Changes to the trajectories of these policies could make international investments more attractive, and maintaining diversification across geographies can lessen the risk of a downturn in any one particular area.

As always, we are grateful for the trust you have placed in Alesco Advisors.

CONTACT US

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