

Audit Committee Report to the 224th Annual Diocesan Convention

The Committee has reviewed and accepted the audited financial statements of the Diocese for the year ended December 31, 2006. We noted and discussed the qualified opinion letter by the independent auditors, Mercadien, P.C. of Princeton, NJ. The qualification arises because the Diocese is unable to evaluate and capitalize as a balance sheet liability the deferred benefit obligation relating to health insurance for retired clergy and their widows. Absent an actuarial evaluation of the insured pool, it is not possible to make the requisite calculation. The Committee has reminded the Insurance Committee of the deficiency and called upon it to have the necessary actuarial work undertaken. Such annual insurance premiums in this connection were \$280,000 in 2006.

The Committee intends to engage again Mercadien and will be reviewing the audit plan for 2007. Pursuant to current audit practice, the auditing firm's lead partner, Eugene Elias, will be rotating off the account after seven years. He will be replaced by his partner, Mr. Herbert McMullen. We are grateful to Mr. Elias for his many years of service and advice to us.

An ad hoc committee, which will report to the Audit Committee, has been organized to develop and offer training to parishes on financial audit procedures and to advise parishes on the formation of parish audit committees. The effort is being undertaken in response to requests for assistance from many of the parish attendees at the December Warden and Finance meeting in Trenton. Such assistance would be directed to enabling parishes to comply with the applicable National and Diocesan Canons for annual audits of parish financial operations. The ad hoc committee will operate under the direction and chairmanship of Mr. Robert Becker, Calgary, Flemington, and is to be comprised of volunteers from a geographically diverse group of parishes around the Diocese.

The members of the Audit Committee are Morris Anderson, The Rev. Douglas C. Halverson, Hilton Jervey, The Rev. Lynn H. Johnson, Dcn., John Scherer, and The Hon. Robert Scott.

Respectfully submitted,
Richard S. Ellwood, Chair