

## **Audit Committee Report to the 223<sup>rd</sup> Annual Diocesan Convention**

Copies of the Audited Financial Statements for The Administrative Offices of the Diocese of New Jersey for the year ended December 31, 2005 are available at the Convention Reception table. The Audit of the diocesan financials for the year 2006 will be undertaken in the weeks following convention and is scheduled to be complete no later than June 15, 2007.

The Diocese again received a qualified opinion from its auditors, Mercadieu PC Princeton, NJ. The Diocese provides health insurance for retired clergy and their spouses. This is an ongoing obligation of which the current years' obligation is funded through the budget however the present value of future obligations is unfunded and not appropriately reflected on our balance sheet pursuant to SFAS No. 106. The Insurance Committee lacks information needed to estimate the obligation and future liability. As the Audit Committee understands the issue, professional actuarial work needs to be done to estimate the liability. An appropriation is required to cover the expense of such an actuarial study. For the years ended December 31, 2005 and 2004, retired employee health insurance benefit including widows, widowers and orphans was in the amount of \$268,788 and \$207,675 respectively, and is included in the Statement of Activities and quantified in Note K thereto.

The Auditors stated in their opinion that with the one exception, our inability to comply with SFAS 106, our "financial statements present fairly in all material respects the financial position" of the Diocese.

The Committee reminds parishes that Canon 18 requires an annual review of their financial statements and procedures undertaken by a person or persons independent of the financial management and administration of the parish. The Committee recognizes that retention of an independent accounting firm to perform such a review or audit is a disproportionate expense for many, particularly smaller parishes, and therefore not feasible for them. Parishes may be in compliance with Canon 18 by having an independent volunteer or volunteers reasonably knowledgeable in bookkeeping or accounting matters perform the reviews. Such volunteer(s) may be parishioners. Copies of such audits or reviews should be filed annually with the diocesan office for finance.

The Audit Committee:

Morris Anderson  
Herb Geiss  
Hilton Jervey  
Lynn Johnson  
Phyllis Jones  
John Scherer  
Robert Scott  
Richard Ellwood, Chairman

February 7, 2007