

## Audit Committee Report to the 228<sup>th</sup> Convention of the Diocese of New Jersey

This past year has been a year of great change for the Audit Committee, despite outward appearances to the contrary.

As reported at last year's Convention, we received the first draft of the 2009 financial statements for the Administrative Offices of the Diocese of NJ ("DNJ") as well as for the Bishop's Discretionary Fund ("BDF") in late 2010. In the case of the DNJ audit, we were pleased to finally have in our hands a "clean" audit opinion, due to the extra work that had been done to quantify and substantiate our liability for the supplemental health insurance premiums we pay to our retired clergy. Our journey to get to that point is documented in that 2011 Convention report, along with our expectation that these financial statements would be published last year and we could look forward to being able to move on with the work of the 2010 audit.

Alas, such was not to be entirely the case. We did in fact move forward with the 2010 audit at the same time the Joint Task Force continued in its work, and discovered more additional funds that needed inclusion in our reports. This necessitated going back yet again into the 2009 reports (which also include 2008 data) and making further revisions to all three years at once.

Through tremendous diligence, and with great patience punctuated by fair amounts of frustration, we are, finally, extremely gratified to present to you this year the audited 2009 and 2010 financial statements for the Administrative Offices of the Diocese of New Jersey, and the audited 2009 financial statement for the Bishop's Discretionary Funds. And not only to present the reports to you, but to note that all of the reports contain unqualified, clean opinions. In the case of the DNJ audits, this is the first time in decades we can make that claim. The reports are posted on the website as Financial Exhibits V, V-1 and V-2.

The 2010 audit for the Bishop's Discretionary Funds will follow shortly, and fieldwork for both of the 2011 audits has already been scheduled to begin during the third week of May. Finally, we are back on track to make our canonical (Sept. 1<sup>st</sup>) deadline for completion.

We would also like to acknowledge some progress in the area of congregational committee audits. As introduced at the April 2011 Clergy, Wardens, Vestry & Finance Officers workshop, revised, simplified audit guidelines for congregational audits are under consideration. Additionally, we have helped several congregations with "assisted committee audits" – a hybrid between a professional, third-party audit and a committee audit which involves supervision by a professional accountant but allows the committee to do most of the time-consuming work that makes professional audits so expensive.

With the majority of the "cleanup" on our own audits now behind us, we can now look ahead to reaching outward and expanding our work together with our congregations to develop workable solutions for their audits, and provide resources for congregations to access when they need help. And certain issues regarding our own audits – most notably the presentation of property held in trust for others – still remain to be investigated and resolved. I am constantly grateful for the talent, persistence and energy of our committee members!

Finally, I am very conscious – and have been all through the process of finalizing the audits – of the presence of Dick Ellwood at my shoulder, especially as I write this report he would've written were he still with us. We greatly miss and fondly remember our longtime fellow-committee-member and esteemed Chairman, who passed away suddenly last December. Somewhere in heaven, in the middle of terrorizing the angels, I feel sure he's happy to know that the Diocese he loved so much and to which he gave so much of himself is headed in a good direction!

Respectfully,

Phyllis B. Jones, CFO

On behalf of the Audit Committee: Carole Forsythe, Herb Geiss, Rev. Joseph Parrish, Canon Chuck Perfater, the Hon. Robert W. Scott, John Scherer, and Paul Wolfgang