

## AUDIT COMMITTEE

REPORT TO THE 229<sup>TH</sup> ANNUAL DIOCESAN CONVENTION

During 2012, the Committee met four times between Conventions and engaged Mercadian, PC of Princeton, N.J. to conduct field work and prepare the Diocesan Administrative Offices 2011 Audit and the 2010 and 2011 Audits of the Bishop's Discretionary Fund (BDF). Said Audits of the BDF were received and accepted by the Committee. The Auditors are of the opinion that the accepted audits and statements fairly, in all material respects, represented the financial position of the BDF in accordance with generally accepted accounting principles.

The Administrative Office Audit was delayed because of questions concerning clergy eligibility for supplementary Medicare coverage in order to properly value diocesan liability for those future premium payments. The Committee is thankful for the efforts of Canon Powers in resolving these questions. Responses have been sent to the actuarial firm in charge of this valuation, and the Audit report should be received shortly.

During this year the Committee in performing its responsibilities related to the Diocesan Administrative Offices audit will focus in two main areas:

- Inclusion of mission properties in the Diocesan audit and proper valuation of same. In order to accomplish this, title documents and insurance appraisals for mission properties are currently under review.
- Inclusion of "Funds Held in Trust for Others" in the Diocesan audit and investigation into the nature of the governing trust instruments where available in order to clarify and document guidelines for the disbursement of these funds

Investigation into these areas began during the last two quarters of 2012, and the Committee plans to finish its research and finalize its findings in these two areas in time for the audit of the 2013 records.

Additionally, the Committee has taken steps to insure that all funds of the Diocese are properly and timely audited. This includes not only audits of the Diocesan Administrative Offices and Bishop's Discretionary Fund, but also audits of the Diocesan Investment Trust (DIT) and the Corporation for Widows, Widowers and Orphans of Clergy of the State of New Jersey.

The Committee continues to plan and develop guidelines to help and assist congregations in preparing audits of their accounts and property. Our goal is to ensure that all congregations are able to comply with our Canons and proper business practices. In this vein the Committee participated in the Parish Leadership Day providing training regarding congregation audits, including a very well-received, plain-English digest of guidelines provided in the Manual of Business Methods in Church Affairs..

We continue to seek support in assisting congregations in preparing annual internal audits. Parishioners with experience in auditing, accounting or bookkeeping are again encouraged to contact our Diocesan CFO.

Submitted by,

Robert W. Scott  
Audit Committee Chairman