

**Audit Committee
Report to the 225th Annual Diocesan Convention**

The Committee engaged Mercadien, P.C., Princeton, NJ, to audit Diocesan financial statements for 2007, reviewed and approved drafts of such statements and authorized their publication together with the Auditor's Letter.

The letter included the Auditor's opinion that the Diocesan Statements presented fairly in all material respects the Diocese's financial position in accordance with US generally accepted accounting principles, but was qualified because of one material omission; our balance sheet does not include a capitalized liability to quantify the Diocese's on-going obligation to pay premiums for health insurance coverage for our retired clergy. Such liability cannot be calculated without an actuarial determination of the life expectancy of the insured pool. The Committee has agreed to engage a professional actuary to undertake the necessary determinations. The Committee's objective is to have such work completed no later than at the preparation of the 2009 financials so that an unqualified Auditor's opinion can be achieved thereon.

Mercadien's engagement has been renewed for the 2008 audit.

A subcommittee of the Audit Committee has been organized to develop and offer training to parishes on financial audit procedures and to support parishes in the formation and implementation of parish audit committees. This development is in response to requests for assistance in this connection from attendees at the December 2007 meeting of wardens and parish treasurers so that parishes can come into compliance with National and Diocesan canons for annual financial audits. Initially, members of the subcommittee, which is comprised of volunteers from a diversity of parishes and under the chairmanship of Robert Becker, Flemington, plan to contact parishes to determine how they may support a program formulated to meet their needs. We look forward to working with parishes on this important fiduciary responsibility.

The members of the Audit Committee are:

Morris Anderson, Willingboro; Herbert Geiss, Rumson; Douglas Halverson, Moorestown; Charles Perfater, Trenton; John Scherer, Fair Haven; Robert Scott, Woodbury; Ronald Sheay, Stockton

Submitted by,

Richard S. Ellwood
Audit Committee Chair