

August 6, 1976

To the Bishop of
The Diocese of Rochester

We have examined the balance sheets of The Diocese of Rochester as of June 30, 1976 and 1975, and the related statements of income, expenses and changes in fund balances for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

During 1976, the Diocese decided to depreciate fixed assets in accordance with generally accepted accounting principles for not-for-profit organizations as redefined by the American Institute of Certified Public Accountants in 1974. As more fully described in Note 1, the accounts for the year ended June 30, 1975 have been restated to give effect to this change.

In our opinion, the financial statements examined by us present fairly the financial position of The Diocese of Rochester at June 30, 1976 and 1975 and the results of its operations and changes in fund balances for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, referred to in the preceding paragraph.

Pricewaterhouse & Co

THE DIOCESE OF ROCHESTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1976 AND 1975

NOTE 1 — BACKGROUND AND SUMMARY OF ACCOUNTING PRINCIPLES:

Background —

The Bishop of The Diocese of Rochester directly or indirectly supervises all of the churches and organizations (some of which are separately incorporated) which are affiliated. However, from a financial standpoint, the books and accounts maintained by the Diocese include only those funds over which it has direct control and accountability. The work of the Diocese is supported primarily by assessments to the parishes.

Summary of accounting principles —

The books of the Diocese are maintained on an accrual basis. The land and buildings of the Pastoral Center are recorded at the value carried by St. Bernard's Seminary at the time of transfer which, in turn, was based on an appraisal. Subsequent additions and improvements have been recorded at cost. Other real estate owned by the Diocese is recorded primarily at cost. Improvements which may have been made by tenants have not been recorded. Depreciation is calculated on a straight-line basis. The Pastoral Center is depreciated over 25 years, all other fixed assets are depreciated over 10 years.

In 1974, the American Institute of Certified Public Accountants redefined the accounting principles for non-profit organizations to require, among other things, the depreciation of buildings and equipment. The Diocese of Rochester first began recording depreciation during 1976; accordingly the financial statements for 1975, as previously reported, have been restated to give effect to this change in accounting principle and for a change in the carrying value of securities due to an omission in prior years of \$169,242, as follows:

	<u>As previously reported</u>	<u>Adjustment</u>	<u>Restated</u>
Fixed assets, net of accumulated depreciation	\$1,955,108	(\$286,200)	\$1,668,908
Fund balance, July 1, 1974	4,678,862	169,242	4,657,304
Depreciation expense		(95,400)	(95,400)
Deficiency of income over expense	(264,306)	(95,400)	(359,706)
Fund balance, June 30, 1975	4,414,556	169,242	4,297,598
		(286,200)	

NOTE 2 — SECURITIES:

The market value of securities in the pastoral funds was \$1,259,289 and \$1,143,594 at June 30, 1976 and 1975, respectively. The market value of securities in the custodial funds was \$1,110,428 and \$902,750 at June 30, 1976 and 1975, respectively.