EPISCOPAL DIOCESE OF BETHLEHEM
(A Not-for-Profit Corporation)

Financial Statements and
Independent Auditor's Report

December 31, 2025

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103

EPISCOPAL DIOCESE OF BETHLEHEM
(A Not-for-Profit Corporation)
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INDEPENDENT AUDITOR'S REPORT

Diocesan Council Members
Episcopal Diocese of Bethlehem
Bethlehem, PA

Opinion

We have audited the accompanying financial statements of Episcopal Diocese of Bethlehem (A Not-for-Profit Corporation), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Diocese of Bethlehem as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Episcopal Diocese of Bethlehem and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Diocese of Bethlehem's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Episcopal Diocese of Bethlehem's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Diocese of Bethlehem's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Episcopal Diocese of Bethlehem's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 26, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Campbell, Coppola & Yamashita LLP

September 3, 2026

EPISCOPAL DIOCESE OF BETHLEHEM
(A Not-for-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
As of December 31, 2025
With Comparative Totals for December 31, 2024

	2025			
- ASSETS -	Without Donor Restrictions	With Donor Restrictions	Total	2024 Total
Cash and Cash Equivalents	$ 283,942	$ 252,010	$ 535,952	$ 517,173
Accounts Receivable	8,659	-	8,659	24,221
Related Party Receivable (Note 10)	-	-	-	777
Prepaid Expenses	-	-	-	30,896
Loans Receivable - Parishes (Note 5)	206,149	-	206,149	270,019
Diocesan Trust Investments (Notes 3 and 4)	16,237,175	26,221,062	42,458,237	38,088,400
Property and Equipment, Net (Note 6)	41,330	-	41,330	215,584
Total Assets	$ 16,777,255	$ 26,473,072	$ 43,250,327	$ 39,147,070
- LIABILITIES AND NET ASSETS -				
Liabilities:				
Investments Held for Others	$ -	$ 22,405,805	$ 22,405,805	$ 20,800,362
Total Liabilities	-	22,405,805	22,405,805	20,800,362
Net Assets:				
Without Donor Restrictions:				
Undesignated	(598,558)	-	(598,558)	(221,011)
Investment in Property and Equipment	41,330	-	41,330	215,584
Designated for Long-Term Investment	16,237,175	-	16,237,175	13,820,681
Designated for Reserves	1,097,308	-	1,097,308	865,957
With Donor Restrictions (Note 8)	-	4,067,267	4,067,267	3,665,497
Total Net Assets	16,777,255	4,067,267	20,844,522	18,346,708
Total Liabilities and Net Assets	$ 16,777,255	$ 26,473,072	$ 43,250,327	$ 39,147,070

See independent auditor's report and notes to financial statements.

EPISCOPAL DIOCESE OF BETHLEHEM
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	Year Ended December 31, 2025			
	Without Donor Restrictions	With Donor Restrictions	Total	2024 Total
Operating Support and Revenue:				
Acceptances	$ 59,414	$ -	$ 59,414	$ 69,582
Assessments, Net of Relief	961,760	-	961,760	947,245
Grants and Contributions	32,157	6,327	38,484	96,060
Miscellaneous Income	18,940	-	18,940	4,801
Gain on Sale of Assets	582,252	-	582,252	-
Releases from Restrictions (Note 8)	34,168	(34,168)	-	-
Total Operating Support and Revenue	1,688,691	(27,841)	1,660,850	1,117,688
Operating Expenses:				
Program Services	1,415,593	-	1,415,593	1,558,298
General and Administrative	282,881	-	282,881	325,993
Total Operating Expenses	1,698,474	-	1,698,474	1,884,291
Decrease in Net Assets from Operations	(9,783)	(27,841)	(37,624)	(766,603)
Non-Operating Activities:				
New Hope Contributions	-	54,006	54,006	17,586
New Hope Expenses	(75,744)	-	(75,744)	(130,786)
Receipt of Closed Parish Residual Assets	-	-	-	96,884
Investment Income (Net of Fees of $74,621 and $77,770 in 2025 and 2024)	494,959	78,088	573,047	743,262
Realized/Unrealized Gain in Investment Value	1,574,839	409,290	1,984,129	1,241,318
Releases from Restrictions (Note 8)	75,744	(75,744)	-	-
Transfers	36,029	(36,029)	-	-
Total Non-Operating Activities	2,105,827	429,611	2,535,438	1,968,264
Increase in Net Assets	2,096,044	401,770	2,497,814	1,201,661
Net Assets at Beginning of Year	14,681,211	3,665,497	18,346,708	17,145,047
Net Assets at End of Year	$ 16,777,255	$ 4,067,267	$ 20,844,522	$ 18,346,708

See independent auditor's report and notes to financial statements.

EPISCOPAL DIOCESE OF BETHLEHEM
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities:		
Change in Net Assets	$ 2,497,814	$ 1,201,661
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Gain on Sale of Assets	(582,252)	-
Depreciation	17,659	30,418
Realized/Unrealized Gain on Investments	(1,984,129)	(1,241,318)
Restricted Contributions	(54,006)	(17,586)
Bad Debt Expense	13,175	16,343
Decrease (Increase) in Assets:		
Accounts Receivable	2,387	(11,095)
Related Party Receivable	777	20,331
Prepaid Expenses	30,896	12,577
Increase (Decrease) in Liabilities:		
Investments Held for Others	1,605,443	2,125,563
Net Cash Provided by Operating Activities	1,547,764	2,136,894
Cash Flows from Investing Activities:		
Purchase of Investments	(22,335,122)	(14,516,557)
Sale of Investments	19,949,414	12,368,023
Proceeds from Sale of Assets	785,450	-
Purchase of Property and Equipment	(46,603)	-
Loan Distributions to Parishes	-	(100,000)
Proceeds from Loan Payments	63,870	27,752
Net Cash Used in Investing Activities	(1,582,991)	(2,220,782)
Cash Flows from Financing Activities:		
Restricted Contributions	54,006	17,586
Net Cash Provided by Financing Activities	54,006	17,586
Net Increase (Decrease) in Cash and Cash Equivalents	18,779	(66,302)
Cash and Cash Equivalents at Beginning of Year	517,173	583,475
Cash and Cash Equivalents at End of Year	$ 535,952	$ 517,173

See independent auditor's report and notes to financial statements.

EPISCOPAL DIOCESE OF BETHLEHEM
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	Program Services	General and Administrative	Total 2025	Total 2024
Operating Expenses				
Salaries and Wages	$ 433,846	$ 144,616	$ 578,462	$ 714,759
Employee Benefits	173,463	57,821	231,284	284,598
Housing	75,914	13,397	89,311	94,842
Payroll Taxes	17,791	5,930	23,721	26,879
Total Salaries and Related Expenses	701,014	221,764	922,778	1,121,078
National Church	207,359	-	207,359	152,569
New Bethany Inc.	15,000	-	15,000	15,000
Other Ministries	33,525	-	33,525	56,333
Congregational Development	85,018	-	85,018	49,616
Grants and Assistance	181,153	-	181,153	225,128
Staff Travel	16,329	5,443	21,772	16,964
Occupancy	14,701	4,900	19,601	8,162
Building Maintenance and Repairs	2,350	784	3,134	10,170
Equipment Leases and Maintenance	1,787	596	2,383	5,097
Telephone and Internet	5,267	1,756	7,023	8,052
Insurance	6,431	2,144	8,575	15,335
Office Supplies	2,521	840	3,361	7,041
Communications	7,901	878	8,779	7,334
Professional Services	73,961	24,654	98,615	47,286
Retiree Benefits	6,368	-	6,368	5,093
Convention and Meetings	28,489	5,028	33,517	101,497
Miscellaneous	-	9,679	9,679	2,118
Bad Debt Expense	13,175	-	13,175	-
Depreciation Expense	13,244	4,415	17,659	30,418
Total Operating Expenses	1,415,593	282,881	1,698,474	1,884,291
New Hope Expenses				
Contract Labor	22,593	-	22,593	24,424
Grants and Assistance	53,102	-	53,102	106,293
Bank Fees	-	49	49	69
Total New Hope Expenses	75,695	49	75,744	130,786
Total Expenses	$ 1,491,288	$ 282,930	$ 1,774,218	$ 2,015,077

See independent auditor's report and notes to financial statements.

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Mission of Diocese of Bethlehem ("Diocese") is to live God's love; tell what you have seen and heard. This mission will seek to create communities of faith where all God's people can deepen their relationship with Jesus. We seek so to live that the Holy Spirit might use us to draw others to Christ. We seek to welcome others to the fellowship of God's church. This vision will lead us to celebrate our Anglican identity, to proclaim the importance of our life together in Christ, to live lives of prayer, service, and compassion as we work to build a world of justice and peace, and to be open to change as the Holy Spirit prompts us.

Episcopal Diocese of Bethlehem also operates to receive, hold, administer, and properly dispose of all property, real and personal, which may be given, granted, conveyed, devised, bequeathed, or transferred to them, either in their own names or in trust, for religious, charitable or educational use or purpose connected with the Protestant Episcopal Church in said Diocese or any portion thereof, or for the aid, benefit or advancement of any parish, congregation or religious, charitable or education association in the Diocese.

Trusts for parishes and missions and the Diocesan trusts are governed by the Board of Trustees with separate counsel for investment advice. Regularly scheduled distributions occur on a quarterly basis, however the Diocese and parishes can request additions and withdrawals as needed. For trusts restricted to income only, the income, net of expenses, is distributed to the beneficiaries on a quarterly basis based on an investment return policy.

The Diocese is a not-for-profit religious organization and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). In addition, as a Diocese, the Diocese is not required to file income tax or information returns with either the Internal Revenue Service or the Commonwealth of Pennsylvania.

Program Descriptions

Ministry – The office of the Bishop includes full administration of the Diocese, the diocesan staff, personnel, property expenses and the ministries that support the life of the Diocese.

Parish Life – Support of congregational life and programs in the parishes of the Diocese of Bethlehem.

Mission Support – Outreach locally and nationally. The Diocesan participation of program and ministry of the larger church.

Grants/Assistance – The funding of programs and ministries both locally and nationally.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Net Asset Classification

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Diocese are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by the action of the Diocesan Council Members.

Net Assets With Donor Restrictions – Net Assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Diocese includes all bank accounts as cash and cash equivalents. Any cash and cash equivalents held for investment purposes are reported as investments and not as cash and cash equivalents on the Statements of Cash Flows.

Investments

Investments are carried at fair value based on quoted market values and realized and unrealized gains and losses are reflected on the Statement of Activities.

Accounts and Loans Receivable

Assessments unpaid as of year-end are recorded as receivables and as current-year revenue. Loans to parishes are carried at unpaid principal balances, less an allowance for uncollectible loans, as determined necessary. Interest received on loans is recorded on the accrual basis and all loans are considered current. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Accounts and Loans Receivable (Continued)

Loans are placed on nonaccrual status when management determines collection of principal or interest is not probable, generally when the loan is 90 days past due as to principal or interest, unless the loan is well-secured and in the process of collection. Upon placement on nonaccrual status, accrued but uncollected interest is reversed against interest income. Payments received on nonaccrual loans are recognized in accordance with the contractual terms only when management believes the remaining unpaid principal balance is collectible; otherwise, payments are applied to reduce the loan's unpaid principal balance under the cost recovery method. Loans may be returned to accrual status when all delinquent principal and interest has been repaid and the borrower has demonstrated sustained performance.

Management has estimated an allowance for doubtful accounts on assessments of $-0- for the years ended December 31, 2025 and 2024. The allowance for uncollectible loans were $-0- for the years ended December 31, 2025 and 2024.

Allowance for Credit Losses

An allowance for credit losses for accounts receivable related to assessments on parishes and loans receivable is estimated based on specific parish situations, current and future expected economic conditions, past experiences of losses, as well as an assessment of potential recoverability of the balance due. The methodologies the Diocese uses to calculate its allowance for expected credit losses for accounts and loans receivable are as follows:

Individually Evaluated – The Diocese reviews all receivables considered at risk monthly and performs an analysis based upon current information available about the parish, such as news reports, current market-implied credit analysis, prior collection history, attempts to collect, and current and future expected economic conditions. Using this information, the Diocese determines the probability of collection and calculates an estimate of potential loss and the probability of loss. For those accounts in which the loss is probable, the Diocese records a specific reserve.

Collectively Evaluated – The Diocese determines its allowance for credit losses collectively based on collection history and expected economic conditions. Using this information, it has established an estimate of allowance on total accounts and loans receivable.

Bad debts are written off against the allowance as they are determined to be uncollectible. Bad debt expense for the years ended December 31, 2025 and 2024 were $13,175 and $-0-, respectively.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment acquisitions over $500 are recorded at historical cost. Depreciation is computed by use of the straight-line method based on estimated useful lives. Routine repairs and maintenance that do not improve or extend the original useful lives of the respective assets are expensed as incurred.

	Years
Buildings	50
Furniture and Equipment	5 - 15
Vehicles	3 - 5

Revenue Sources

The Diocese derives a majority of its operating revenue from parish assessment, acceptance collections, and investment income. These funds are generated from the various parishes included under its geographic area boundaries of Northeastern Pennsylvania. The majority of non-operating revenue is generated from trust investment income.

The Diocese's recognizes revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*:

- **Assessment Revenue**: The Diocese earns fees from member parishes based on a fixed percentage of operating income. The Diocese recognizes revenue of twelve percent (12%) from each parish's operating income from two fiscal years prior. Member churches may request partial or full relief from assessed amounts. Approved assessment relief is accounted for as variable consideration and recorded as a reduction of assessment revenue in the period in which the related assessment revenue is recognized or when the relief is approved, as applicable. During the years ended December 31, 2025 and 2024, assessment relief was $42,847 and $16,343, respectively.

  No portion of assessment revenue represents unearned revenue.

Contributions

Contributions received are recorded as revenue with donor restrictions or revenue without donor restrictions depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statement of Activities as net assets released from restrictions.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributed Services and Materials

In addition to receiving cash contributions, the Diocese occasionally receives contributions of nonfinancial asset from various donors. It is the policy of the Diocese to record the estimated fair market value of certain donations of nonfinancial assets as an asset or expense in its financial statements, and similarly increase donations by a like amount. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the years ended December 31, 2025 and 2024, there were no amounts contributed for services and materials.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating Measure

The Diocese classifies its activities in its Statement of Activities as operating and nonoperating. Operating activities principally include all income and expenses related to carrying out the Diocese's mission. Operating revenues also include grants and contributions.

Nonoperating activities principally include depreciation, investment return, realized and unrealized gains or losses on investment activity, receipts of closed parish residual assets, and New Hope contributions and related expenses, which are for the purpose of building a college for seminarians, five primary schools, and one high school in Kajo Keji, South Sudan. New Hope also supports social ministry efforts for the needy within Pennsylvania.

Concentrations of Credit Risk

Financial instruments that are exposed to concentrations of credit risk consist of cash, accounts receivable and investments. The cash and investments in stocks and bonds are held at high quality institutions and companies with high credit ratings. Accounts receivable including loans receivable and various notes receivable are principally with member parishes and clergy. Realization of these items is dependent on various individual economic conditions. Investments are based on quoted market prices. Accounts receivable and notes receivable are carried at estimated net realizable values.

The Diocese places its cash with institutions insured by FDIC. As times, such balances may exceed the FDIC insurance limit, though, it historically has not experienced any credit losses.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Functional Expenses

The Diocese's program activity consists of governing church ministry for parishes within the territory of Northeastern Pennsylvania. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Diocese. There are no fundraising expenses.

Leases

The Diocese has elected the short-term lease practical expedient under ASC 842 and does not recognize right-of-use assets or lease liabilities for leases with terms of 12 months or less. The Diocese also does not recognize lease assets and liabilities for arrangements that management determines are immaterial individually and in the aggregate to the financial statements taken as a whole. Lease payments for these arrangements are recognized as expense over the lease term.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

	2025	2024
Cash and Cash Equivalents	$ 535,952	$ 517,173
Accounts Receivable	8,659	24,221
Diocesan Trust Investments	42,458,237	38,088,400
Less: Investments Held for Others	(22,405,805)	(20,800,362)
Total Financial Assets at Year End	20,597,043	17,829,432
Less those Unavailable for General Expenditures within One Year Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donor with Time or Purpose Restrictions	(4,067,267)	(3,665,497)
Council Designations:		
Designated for Long-Term Investment	(16,237,175)	(13,820,681)
Designated for Reserves	(1,097,308)	(865,957)
	$ (804,707)	$ (522,703)

2. Liquidity and Availability (Continued)

Episcopal Diocese of Bethlehem is supported mainly by assessment collections from parishes under its geographic area boundaries of Northeastern Pennsylvania. Funding is also received in the form of investment income and contributions. The Diocese believes that assessment revenue in conjunction with other support along with the assets held at December 31, 2025, is sufficient to enable the Diocese to continue to operate for the upcoming year. In addition, Council Designations can be made available for operation at any time by direction of the Council.

3. Investments

The diocesan trust investments consist of cash and marketable securities and are presented in the financial statements at fair value. Market risk could occur and is dependent on the future changes in market prices of the various investments held. An analysis of the investments held in trust as of December 31, 2025 and 2024 are as follows:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	$ 717,028	$ 717,028	$ 861,100	$ 861,100
Mutual Funds	35,865,365	41,741,209	33,060,110	37,227,300
	$ 36,582,393	$ 42,458,237	$ 33,921,210	$ 38,088,400

A summary of earnings on investments for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Interest and Dividends	$ 647,668	$ 821,032
Unrealized Gains	786,750	912,972
Realized Gains	1,197,379	328,346
Investment Fees	(74,621)	(77,770)
	$ 2,557,176	$ 1,984,580

4. Fair Value Measurements

Financial Accounting Standards Board ("FASB") ASC 820-10, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Diocese has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable, are significant to the fair value measurement and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 and/or Level 2 inputs as components of the overall fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2025 and 2024.

Mutual Funds: Valued at the net asset value ("NAV") of shares held by the Diocese at year end.

4. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Diocese believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Diocese's assets at fair value as of December 31, 2025 and 2024.

	Assets at Fair Value as of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 717,028	$ -	$ -	$ 717,028
Mutual Funds - Equities	29,563,687	-	-	29,563,687
Mutual Funds - Fixed Income	11,163,979	-	-	11,163,979
Mutual Funds - Balanced	1,013,543	-	-	1,013,543
Total Assets at Fair Value	$ 42,458,237	$ -	$ -	$ 42,458,237

	Assets at Fair Value as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 861,100	$ -	$ -	$ 861,100
Mutual Funds - Equities	25,978,368	-	-	25,978,368
Mutual Funds - Fixed Income	10,519,769	-	-	10,519,769
Mutual Funds - Balanced	729,163	-	-	729,163
Total Assets at Fair Value	$ 38,088,400	$ -	$ -	$ 38,088,400

5. Loans Receivable

The Diocese provides loans to member parishes. The loans are payable in monthly installments at interest rates ranging from 3.00% to 7.00%. Outstanding loan balances at December 31, are as follows:

Maturity Date	Term (Years)	Loan Amount	December 31, 2025	December 31, 2024
September, 2027	3	$ 100,000	$ 57,773	$ 92,443
September, 2029	10	20,000	3,550	8,654
September, 2030	10	75,000	38,428	45,846
November, 2030	10	28,000	11,484	17,569
April, 2032	10	19,283	13,300	15,044
June, 2033	10	50,000	39,789	44,402
September, 2033	10	50,000	41,825	46,061
Total Loans Receivable			$ 206,149	$ 270,019

Management evaluates the credit quality of loans to parishes based on payment status. The amortized cost basis of loans to parishes was $206,149 and $270,019 of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, all loans to parishes were current and on accrual status, and no loans were on nonaccrual status.

6. Property and Equipment

Property and equipment are as follows:

	2025	2024
Land and Buildings	$ -	$ 596,766
Furniture and Equipment	16,148	63,961
Vehicles	46,593	45,744
	62,741	706,471
Less: Accumulated Depreciation	(21,411)	(490,887)
	$ 41,330	$ 215,584

Depreciation expense for 2025 and 2024 was $17,659 and $30,418, respectively.

7. Employee Retirement Plan

The Diocesan clergy participate in a defined benefit retirement plan managed by the Church Pension Fund of New York ("The Fund"), the assets of which are pooled for the benefit of all participants. The Fund levies assessments at the rate of 18% of participants' compensation, which includes salaries, other cash compensation, and the value of housing. Diocesan retirement expense for clergy employees was $61,148 and $74,014 for the years ended 2025 and 2024, respectively.

The Diocese has adopted The Episcopal Church Lay Employees' Defined Contribution 403(b) Plan ("The Plan") for lay employees. The Plan provides for participants' pretax contributions to the Plan up to the limits defined by Section 401(k) of the Internal Revenue Code. The Diocese is required to provide eligible employees with a minimum 5% contribution, and matching contributions equal to 100% of eligible participants' elective deferrals, up to 4% of the participants' compensation. Participants must attain 1,000 hours of service in one year to be eligible to receive employer contributions. In 2025 and 2024, the Diocese contributed 18% of eligible participant compensation. Diocesan retirement expense for lay employees was $52,572 and $60,612 for the years ended 2025 and 2024, respectively.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions include council custody accounts, clergy discretionary fund accounts, scholarship assistance, Diocesan Churchwomen accounts, and the New Hope Project Funds.

Activities and net asset balances for the years ended December 31, 2025 and 2024 are as follows:

	2025 With Donor Restrictions	2024 With Donor Restrictions
Council Custody Accounts	$ 1,107,566	$ 1,006,996
New Hope Funds	2,959,701	2,658,501
Total Net Assets with Donor Restrictions	$ 4,067,267	$ 3,665,497

8. Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors as follows:

	2025	2024
Bishops Discretionary	$ 30,586	$ 16,904
Episcopal Churchwomen Fund	3,582	6,350
Scholarship Assistance	-	5,267
New Hope Funds	75,744	135,720
Total Net Assets with Donor Restrictions Released from Restriction	$ 109,912	$ 164,241

9. Commitments and Contingencies

The Diocese is currently using the system of Reimbursement Financing to pay unemployment compensation claims, under which a liability occurs only when a former employee collects unemployment benefits. It is at that time that the Diocese must reimburse the State for claims paid.

The staff of Grace Montessori School, a not-for-profit organization, were employed through Episcopal Diocese of Bethlehem through December 2023. As of January 2024, no Grace Montessori School staff were employed through the Diocese. Grace Montessori School is also a certificate holder of a liability insurance policy that is purchased and maintained by the Diocese. The Diocese could be liable for as much as the full amount of any unemployment claims or litigation, arising in the normal conduct of Grace Montessori School's activities.

The Diocese leased equipment under a long-term lease agreement with monthly payments of $46. The lease expired in January 2024. Upon expiration, the Diocese entered into a month-to-month lease agreement for equipment with monthly payments of $209. Expenses incurred under the leases were $2,508 for 2025 and 2024.

The Diocese has an office space covenant with Nativity Cathedral under which the Diocese remits $2,000 per month for use of two individually lockable offices for exclusive use, one flex space, and related bundled services. The covenant is effective when signed, terminates no later than December 31, 2026, and may be terminated by either party with 90 days' prior written notice. The covenant states that it is not intended to be legally binding or a contract. Management concluded that the arrangement does not create enforceable rights and obligations and therefore is not recognized as a lease under Topic 842. Payments under the covenant are recognized as occupancy expense as incurred.

10. Related Party Transactions

As discussed in Note 9, Grace Montessori School utilized the Employer Identification Number of the Diocese to administer payroll for its staff. In addition, a portion of the Diocese's liability insurance is allocated to Grace Montessori School. Related party transactions were as follows:

	2025	2024
Salaries and Related Employee Expenses Charged to Grace Montessori School	$ -	$ 3,342

Accounts and loans receivable from Grace Montessori School at December 31, 2025 and 2024 for related expenses was $0- and $777, respectively.

11. Agency Payroll Reimbursements

The Diocese processes payroll and related employee benefits for certain Canons who serve both the Diocese and member parishes. Member parishes reimburse the Diocese for their allocated share of wages, payroll taxes, and employee benefits. For the years ended December 31, 2025 and 2024, reimbursements processed on behalf of member parishes totaled $120,000 and $-0-, respectively.

The Diocese accounts for the member parish share of these payroll and benefit costs as agency transactions under ASC 958-605. Accordingly, amounts reimbursed by member parishes are not reported as revenue, and the related payroll and benefit payments made on behalf of member parishes are not reported as expenses in the accompanying Statement of Functional Expenses.

At December 31, 2025 and 2024 there were no amounts receivable from or payable to member parishes related to these payroll agency transactions

12. Summarized Totals for Year Ended December 31, 2024

The financial statements include certain prior year summarized comparative information in total, but not by function or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Episcopal Diocese of Bethlehem's financial statements for the year ended December 31, 2024, from which summarized information was derived.

13. Subsequent Events

Management has evaluated subsequent events and transactions through September 3, 2026, the date the financial statements were available to be issued, and has determined that with the exception of the item noted below, no material subsequent events exist that require recognition or disclosure.

The Episcopal Diocese of Bethlehem and the Diocese of Central Pennsylvania have voted to reunify as one diocese, the Diocese of the Susquehanna, on January 1, 2026. The reunification process will involve deepening relationships, aligning systems and budgets, and developing the Constitution and Canons for a reunified diocese. The Dioceses of Central Pennsylvania and Bethlehem have engaged in a canonical process known as reunion, which is a way to merge dioceses that were once part of the same diocese. The reunification process is expected to be a significant step in strengthening Episcopal ministries and ensuring a stable presence in the region.