THE INCORPORATED TRUSTEES OF
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024
AND
INDEPENDENT AUDITOR'S REPORT

HAMILTON & MUSSER, P.C.
Certified Public Accountants

THE INCORPORATED TRUSTEES OF
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA
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INDEPENDENT AUDITOR'S REPORT

To the Council of Trustees of
The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania
Harrisburg, Pennsylvania

Opinion

We have audited the accompanying financial statements of The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2025 and 2024, and the related statements of support and revenue, expenses, and other changes in net assets – modified cash basis, and functional expenses – modified cash basis for the years 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 assets, liabilities, and net assets of The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania as of December 31, 2025 and 2024, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audits 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 The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Diocese will continue as a going concern. As discussed in Note 13 to the financial statements, the Diocese has joined with the Episcopal Diocese of Bethlehem and form the Episcopal Diocese of the Susquehanna as of January 1, 2026. A separate legal entity will be formed to accommodate this decision. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania'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 The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania'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.

Hamilton & Musser, P.C.

October 27, 2026

Mechanicsburg, Pennsylvania *Certified Public Accountants*

THE INCORPORATED TRUSTEES OF
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA
Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis
December 31, 2025 and 2024

	2025	2024
Assets		
Cash and Cash Equivalents - Operating (Note 2)	$ 168,246	$ 286,475
Investments - Operating (Note 4)	273,638	884,481
Cash and Cash Equivalents - Agency Funds (Note 2)	183,691	635,478
Cash and Cash Equivalents - Restricted for Long Term Purposes (Note 2)	104,427	306,587
Investments - Agency Funds (Note 4)	22,099,204	18,447,847
Investments - Restricted for Long Term Purposes (Note 4)	12,559,062	8,893,989
Total Assets	$ 35,388,268	$ 29,454,857
Liabilities		
Agency Funds (Note 5)	$ 22,282,895	$ 19,083,325
Total Liabilities	22,282,895	19,083,325
Net Assets		
Without Donor Restrictions		
Undesignated	437,722	1,164,760
Board Designated Net Assets (Note 7)	4,257,378	3,362,748
With Donor Restrictions (Note 8)	8,410,273	5,844,024
Total Net Assets	13,105,373	10,371,532
Total Liabilities and Net Assets	$ 35,388,268	$ 29,454,857

The Accompanying Notes are an Integral Part of the Financial Statements

THE INCORPORATED TRUSTEES OF
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA
Statement of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis
For the Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Parish Assessments	$ 1,264,312	$ -	$ 1,264,312
Closed Parish Income	33,308	-	33,308
Contributions	111,385	2,012,306	2,123,691
Program Fees - Conferences and Trainings	109,717	-	109,717
Investment Income, Net (Note 4)	738,299	1,255,993	1,994,292
Miscellaneous Income	5,683	-	5,683
Principal Repayments	173,042	-	173,042
Net Assets Released from Restrictions	702,050	(702,050)	-
Total Support and Revenue	3,137,796	2,566,249	5,704,045
Expenses			
Program Services	2,217,493	-	2,217,493
Supporting Services			
Unallocated National Apportionment	212,718	-	212,718
Management and General	493,547	-	493,547
Fundraising	46,446	-	46,446
Total Expenses	2,970,204	-	2,970,204
Change in Net Assets	167,592	2,566,249	2,733,841
Net Assets, Beginning of Year	4,527,508	5,844,024	10,371,532
Net Assets, End of Year	$ 4,695,100	$ 8,410,273	$ 13,105,373

The Accompanying Notes are an Integral Part of the Financial Statements

THE INCORPORATED TRUSTEES OF
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA
Statement of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Parish Assessments	$ 1,287,737	$ -	$ 1,287,737
Closed Parish Income	47,340	-	47,340
Contributions	39,604	16,440	56,044
Program Fees - Conferences and Trainings	119,612	-	119,612
Investment Income, Net (Note 4)	485,438	614,167	1,099,605
Miscellaneous Income	10,508	-	10,508
Principal Repayments	123,071	-	123,071
Grants	8,000	-	8,000
Property Sale	165,628	-	165,628
Net Assets Released from Restrictions	362,253	(362,253)	-
Total Support and Revenue	2,649,191	268,354	2,917,545
Expenses			
Program Services	2,300,858	-	2,300,858
Supporting Services			
Unallocated National Apportionment	249,757	-	249,757
Management and General	548,542	-	548,542
Fundraising	49,002	-	49,002
Total Expenses	3,148,159	-	3,148,159
Change in Net Assets	(498,968)	268,354	(230,614)
Net Assets, Beginning of Year	5,026,476	5,575,670	10,602,146
Net Assets, End of Year	$ 4,527,508	$ 5,844,024	$ 10,371,532

The Accompanying Notes are an Integral Part of the Financial Statements

THE INCORPORATED TRUSTEES OF THE
EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA
Statement of Functional Expenses – Modified Cash Basis
For the Year Ended December 31, 2025

	Program Services						Support Services			
	Mission and Ministry	Financially Assisted Parishes	Parish Transition, Resources, and Training	Episcopal Function	Children, Youth, and Young Adult	Stevenson School	Management and General	Fundraising	Unallocated National Apportionment	Total
Unallocated National Apportionment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 212,718	$ 212,718
Salaries	268,873	15,359	115,194	38,398	23,039	130,553	268,784	23,039	-	883,239
Payroll Taxes and Employee Benefits	122,210	6,981	52,359	17,453	10,472	59,341	122,171	10,472	-	401,459
Capital Purchases	-	-	-	39,663	-	-	-	-	-	39,663
Charitable Giving	274,986	-	-	-	-	-	-	-	-	274,986
Educational Training	3,843	-	-	-	5,012	125,622	-	-	-	134,477
Grants, Support, and Loans	-	131,504	2,460	-	-	-	-	-	-	133,964
Marketing	-	-	-	-	-	1,042	-	-	-	1,042
Meetings, Conferences, and Conventions	102,694	-	-	-	-	-	859	-	-	103,553
Miscellaneous	32,530	-	4,692	-	-	-	20,997	-	-	58,219
Occupancy Expenses	235,474	-	-	-	-	-	-	-	-	235,474
Office Expenses	126,786	-	-	-	-	-	1,759	12,935	-	141,480
Professional Development	164	-	12,027	-	2,117	691	3,313	-	-	18,312
Professional Fees	-	-	-	-	-	-	49,600	-	-	49,600
Retired Clergy Benefits	5,826	-	-	-	-	-	-	-	-	5,826
Reunification	52,127	-	-	95,566	-	-	26,064	-	-	173,757
Telecommunications	22,587	-	-	-	-	49,775	-	-	-	72,362
Travel, Lodging, and Enteraintment	9,830	-	1,912	-	14,174	2,202	-	-	-	28,118
Vehicle Expenses	1,955	-	-	-	-	-	-	-	-	1,955
Total Expenses	$ 1,259,885	$ 153,844	$ 188,644	$ 191,080	$ 54,814	$ 369,226	$ 493,547	$ 46,446	$ 212,718	$ 2,970,204

The Accompanying Notes are an Integral Part of the Financial Statements

THE INCORPORATED TRUSTEES OF THE
EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA
Statement of Functional Expenses – Modified Cash Basis
For the Year Ended December 31, 2024

	Program Services						Support Services			
	Mission and Ministry	Financially Assisted Parishes	Parish Transition, Resources, and Training	Episcopal Function	Children, Youth, and Young Adult	Stevenson School	Management and General	Fundraising	Unallocated National Apportionment	Total
Unallocated National Apportionment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 249,757	$ 249,757
Salaries	308,507	17,623	132,174	44,059	26,435	149,798	308,406	26,435	-	1,013,437
Payroll Taxes and Employee Benefits	114,444	6,538	49,032	16,344	9,807	55,570	114,408	9,807	-	375,950
Capital Purchases	-	-	-	31,947	-	-	-	-	-	31,947
Charitable Giving	271,600	-	-	-	-	-	-	-	-	271,600
Educational Training	3,131	-	-	-	4,083	102,344	-	-	-	109,558
Grants, Support, and Loans	-	261,867	4,898	-	-	-	-	-	-	266,765
Marketing	-	-	-	-	-	974	-	-	-	974
Meetings, Conferences, and Conventions	166,714	-	-	-	-	-	1,394	-	-	168,108
Miscellaneous	28,203	-	4,068	-	-	-	18,204	-	-	50,475
Occupancy Expenses	248,620	-	-	-	-	-	-	-	-	248,620
Office Expenses	125,071	-	-	-	-	-	1,735	12,760	-	139,566
Professional Development	144	-	10,587	-	1,864	608	2,916	-	-	16,119
Professional Fees	-	-	-	-	-	-	101,479	-	-	101,479
Retired Clergy Benefits	9,621	-	-	-	-	-	-	-	-	9,621
Telecommunications	14,423	-	-	-	-	31,783	-	-	-	46,206
Travel, Lodging, and Enteraintment	14,629	-	2,845	-	21,094	3,277	-	-	-	41,845
Vehicle Expenses	6,132	-	-	-	-	-	-	-	-	6,132
Total Expenses	$ 1,311,239	$ 286,028	$ 203,604	$ 92,350	$ 63,283	$ 344,354	$ 548,542	$ 49,002	$ 249,757	$ 3,148,159

The Accompanying Notes are an Integral Part of the Financial Statements

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:
The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania (the Diocese) is a constituent of the Episcopal Church, known as the Protestant Episcopal Church in the United States of America. The Diocese exists, operates, and is governed pursuant to a Constitution and Canons adopted in 1789 and subsequently amended from time to time. The Diocese is a nonprofit Diocese and is dedicated to establishing, developing, and promoting all aspects of church ministry within the sixty-one parishes of Central Pennsylvania. The Diocese is supported primarily through parish assessments and investment income. Effective January 1, 2026, the Diocese will join with the Episcopal Diocese of Bethlehem and form the Episcopal Diocese of the Susquehanna. A separate legal entity will be formed to accommodate this decision.

The Diocese has six programs that focus on promoting aspects of church ministry of the member parishes. The mission and ministry program includes resources that support local and international organizations related to the Diocesan ministry. The financially assisted parishes program includes assistance to parishes to support mission, ministry, operations, and capital projects. The parish transition, resources, and training program includes resources provided to parishes for training and transition of rectors. The Episcopal function program includes costs for national and regional conferences supporting Episcopalians. The children, youth, and young adult program includes activities that support the encouragement of spirituality among the children, youth, and young members of each parish. The Stevenson School program provides theological education to all to further mission and ministry.

Basis of Accounting:
The accompanying financial statements have been prepared on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (US GAAP). That basis differs from US GAAP primarily because revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Consequently, other accruals are not included in the financial statements. Investments are carried at fair market value and the related appreciation or depreciation is recognized in the current period and accounted for as revenue. Agency funds are also recorded on the financial statements.

Basis of Presentation:
Financial statement presentation follows the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the Diocese to report information regarding its assets, liabilities, and net assets and support, revenue, and expenses according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents:
For purposes of the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis, the Diocese considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted Cash and Cash Equivalents:
The Diocese holds investment accounts for operations, other parishes, and endowments. The cash portion of the investments held for others and endowments are presented separately on the face of the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments:
Investments are recorded at fair value in the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis. Certain funds are managed by the Episcopal Church Foundation and include investments of the Diocese and custodial funds for any of the sixty-one parishes. The funds are pooled to maximize earnings. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net assets unless restricted by the donor or the law.

The Diocese has adopted FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. This standard defines fair value, establishes a framework for measuring fair value, and stipulates the disclosure requirements for fair value measurements.

Fair Value Reporting requires an establishment of a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices in active markets for identical assets and liabilities
Level 2 – Directly or indirectly observable inputs other than Level 1 quoted prices
Level 3 – Unobservable inputs not corroborated by market data

For investments that have quoted market prices in active markets, the Diocese uses the quoted market prices as fair values and includes those investments in Level 1 of the fair value hierarchy. When quoted market prices in active markets are not available, various pricing services are used to determine fair value of investments that are included in Level 2 of the fair value hierarchy. Level 3 represents financial assets whose fair value is determined based upon inputs that are unobservable and include the Diocese's own determinations of the assumptions that a market participant would use in pricing the asset.

The Diocese invests in a professionally managed portfolio that contains various types of securities. Such investments are exposed to interest rate, market, and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term may materially affect investment balances and the amounts reported in the financial statements and the accompanying notes.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments Measured Using the Net Asset Value (NAV) per Share Practical Expedient:
The fair value presented in the following notes is intended to permit the reconciliation of the fair value hierarchy to the line items presented in the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis. The following describes the type of investment funds the common trust funds are invested in:

Common Trust Funds:

Large CAP
- DJ-UBS Roll Select Commodity Index
- S&P 500 Common Trust Fund

International
- Aberdeen Emerging Markets
- Active International Small CAP
- Daily Active Emerging Market
- Harbor FDS Diversified International All CAP Retire
- Hartford Schroders International Equity
- International Alpha Select
- RBC Emerging Markets Equity Fund Class I
- State Street Active Emerging Markets
- State Street Global Infrastructure

Small/Mid CAP
- S&P Mid CAP Lending
- State Street Institutional Small-CAP

Real Estate Investment Trust (REIT)
- State Street Developed Real Estate
- State Street Global Real Estate

Fixed Income
- Passive Bond Market
- Passive High Yield CTF
- TCW Emerging Markets Income Fund
- Treasury Inflation Protected Securities

Commodities
- State Street Bloomberg Roll Select

The per unit net asset value of the funds are determined each business day based on the quoted market prices of the underlying investments held. For certain holdings, values are derived from indices, reference rates or a combination of these factors.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 Diocese considers these to be Level 3 investments.

Revenue Recognition – Contributions:
Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis as net assets released from restrictions.

Revenue Recognition – Exchange Transactions:
The Diocese recognizes revenue from exchange transactions when received rather than when earned in accordance with the modified cash basis of accounting. The Diocese's principal repayments, parish assessments, and program fees follow exchange transaction revenue recognition standards.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mission and Parish Property:
Active missions and parishes of the Diocese are not recorded in the financial statements. The Diocese has control over the property through the Standing Committee. The congregations maintain beneficial use of the properties. In the event that a mission or parish is deconsecrated, beneficial ownership of the property held by the congregation reverts to the Diocese and is therefore held as an asset of the Diocese until sold. The proceeds from the sale of deconsecrated (consecrated) congregations are recorded as support and revenue on the Statements of Support and Revenue, Expenses, and Other Changes in Net Assets - Modified Cash Basis.

Use of Estimates:
The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Such estimates relate primarily to fair value measurements and the allocation of functional expenses. Actual results could differ from those estimates.

Functional Expenses:
The costs of providing Diocese programs and supporting services have been summarized on a functional basis in the Statements of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis. Certain expenses are charged directly to programs or supporting services based on specific identification. Indirect expenses have been allocated by management based on reasonable allocation methods. Expenses related to more than one program or supporting service are allocated on the basis of actual or estimated employee time.

Income Taxes:
The Diocese is a 501(c)(3) non-profit organization which is statutorily exempt from federal income taxes under the Internal Revenue Code. The standards require an assessment of the Diocese's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously filed tax returns. Examples of tax positions taken at the entity level include the continuing validity of its status, potential unrelated business activities, and other tax positions that could result in income taxes to the Diocese upon examinations by taxing authorities. The Diocese's management is not aware of any activities that would jeopardize its tax-exempt status or would be subject to unrelated business or excise tax.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31:

	2025	2024
Cash and Cash Equivalents – Operating	$ 168,246	$ 286,475
Cash and Cash Equivalents – Agency Funds	183,691	635,478
Cash and Cash Equivalents – Restricted for Long-Term Purposes	104,427	306,587
Total Cash and Cash Equivalents	$ 456,364	$ 1,228,540

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Diocese's financial assets at December 31:

	2025	2024
Financial Assets:		
Cash and Cash Equivalents	$ 456,364	$ 1,228,540
Investments	34,931,904	28,226,317
Total Financial Assets	35,388,268	29,454,857
Less Amounts Not Available to be Used Within One Year:		
Agency Funds	22,282,895	19,083,325
Board Designated Net Assets	4,257,378	3,362,748
Net Assets with Donor Restrictions	8,410,273	5,844,024
Total Amounts Not Available to be Used Within One Year	34,950,546	28,290,097
Financial Assets Available to Meet Expenses Over the Next Year	$ 437,722	$ 1,164,760

The Diocese's plan is generally to maintain financial assets to meet 90 days of operating expenses. As further described in Note 9, the Diocese also has a line of credit that it can draw upon in case of unanticipated liquidity needs. The balance available at December 31, 2025 and 2024 was $250,000.

NOTE 4 – INVESTMENTS

Investments measured at fair value are presented in the financial statements in the aggregate at fair value at December 31:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Stocks	$ 105,066	$ 155,775	$ 101,748	$ 142,700
Exchange Traded Funds	1,606	3,093	1,506	2,696
Mutual Funds	19,432	24,375	17,391	20,630
Corporate Fixed Income	4,970	5,110	14,999	15,204
Total	$ 131,074	$ 188,353	$ 135,644	$ 181,230

The Diocese considers these investments to be Level 1 investments.

NOTE 4 – INVESTMENTS (CONTINUED)

Investments measured at net asset value per share are presented in the financial statements in the aggregate at fair value at December 31:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
S&P 500 Common Trust Fund	$ 7,428,761	$ 10,936,150	$ 4,593,731	$ 7,567,590
S&P/Mid CAP Lending	917,314	1,735,368	647,584	1,403,236
State Street Institutional Small-CAP	2,621,673	2,232,475	1,897,384	1,724,465
Active International Small CAP	699,317	1,435,034	777,550	1,161,867
Harbor FDS Diversified International All CAP Retire	-	-	1,733,510	1,668,606
Hartford Schroders International	2,160,241	2,226,134	-	-
International Alpha Select	167,292	2,341,058	1,383,158	1,726,218
RBC Emerging Markets Equity Fund Class I	1,389,833	1,766,218	1,401,270	1,435,639
State Street Active Emerging Markets	1,207,716	1,778,287	1,233,900	1,461,906
State Street Bloomberg Roll Select	762,181	870,343	1,457,563	1,508,214
State Street Developed Real Estate	333,330	349,793	874,803	832,805
State Street Global Infrastructure	1,177,601	1,404,272	-	-
Passive Bond Market	1,681,950	1,744,562	2,334,663	2,363,323
Passive High Yield CTF	2,601,001	2,794,506	2,217,889	2,319,669
TCW Emerging Markets Income Fund	2,518,058	2,433,834	1,716,173	1,450,034
Treasury Inflation Protected Securities	678,950	695,517	1,441,975	1,421,515
Total	$ 26,345,218	$ 34,743,551	$ 23,711,153	$ 28,045,087

The Diocese considers its investments measured at net asset value to be Level 3 investments.

NOTE 4 – INVESTMENTS (CONTINUED)

The following table sets forth additional disclosures for the measurements of investments in certain entities that calculate net asset value per share (or its equivalent) at December 31, 2025.

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
S&P 500 Common Trust Fund	$ 10,936,150	N/A	Daily	None
S&P/Mid CAP Lending	1,735,368	N/A	Daily	None
State Street Institutional Small-CAP	2,232,475	N/A	Daily	None
Active International Small CAP	1,435,034	N/A	Daily	None
Hartford Schroders International	2,226,134	N/A	Daily	None
International Alpha Select	2,341,058	N/A	Daily	None
RBC Emerging Markets Equity Fund Class I	1,766,218	N/A	Daily	None
State Street Active Emerging Markets	1,778,287	N/A	Daily	None
State Street Bloomberg Roll Select	870,343	N/A	Daily	None
State Street Developed Real Estate	349,793	N/A	Daily	None
State Street Global Infrastructure	1,404,272	N/A	Daily	None
Passive Bond Market	1,744,562	N/A	Daily	None
Passive High Yield CTF	2,794,506	N/A	Daily	None
TCW Emerging Markets Income Fund	2,433,834	N/A	Daily	None
Treasury Inflation Protected Securities	695,517	N/A	Daily	None
Total	$ 34,743,551			

The following table sets forth additional disclosures for the measurements of investments in certain entities that calculate net assets value per share (or its equivalent) at December 31, 2024.

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
S&P 500 Common Trust Fund	$ 7,567,590	N/A	Daily	None
S&P/Mid CAP Lending	1,403,236	N/A	Daily	None
State Street Institutional Small-CAP	1,724,465	N/A	Daily	None
Active International Small CAP	1,161,867	N/A	Daily	None
Harbor FDS Diversified International All		N/A	Daily	None
CAP Retire	1,668,606	N/A	Daily	None
International Alpha Select	1,726,218	N/A	Daily	None
RBC Emerging Markets Equity Fund Class I	1,435,639	N/A	Daily	None
State Street Active Emerging Markets	1,461,906	N/A	Daily	None
State Street Bloomberg Roll Select	1,508,214	N/A	Daily	None
State Street Developed Real Estate	832,805	N/A	Daily	None
Passive Bond Market	2,363,323	N/A	Daily	None
Passive High Yield CTF	2,319,669	N/A	Daily	None
TCW Emerging Markets Income Fund	1,450,034	N/A	Daily	None
Treasury Inflation Protected Securities	1,421,515	N/A	Daily	None
Total	$ 28,045,087			

NOTE 4 – INVESTMENTS (CONTINUED)

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Change in Level 3 investments consisted of the following for the years ended December 31:

	2025	2024
Common Trust Funds, Beginning of Year	$ 28,978,993	$ 27,590,239
Contributions	2,530,585	505,070
Withdrawals	(1,979,094)	(2,121,437)
Interest and Dividends	619,903	382,777
Net Realized and Unrealized Gain on Investments	4,990,168	2,722,418
Investment Fees	(110,683)	(100,074)
Common Trust Funds, End of Year	35,029,872	28,978,993
Less: Cash Portion of Investments	(286,321)	(933,906)
Total Investments in Common Trusts	$ 34,743,551	$ 28,045,087

Gains and losses (realized and unrealized) for Level 3 investments owned by the Diocese included in changes in value for the periods above are reflected in the Statements of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis.

Total investments are comprised of the following at December 31:

	2025	2024
Level 1 Investments	$ 188,353	$ 181,230
Level 3 Investments	34,743,551	28,045,087
Total	$ 34,931,904	$ 28,226,317

Investment income consisted of the following for the years ended December 31:

	2025	2024
Interest and Dividends	$ 238,564	$ 146,272
Net Realized and Unrealized Gain on Investments	1,795,444	990,409
Investment Fees	(39,716)	(37,076)
Total	$ 1,994,292	$ 1,099,605

NOTE 5 – AGENCY FUNDS

The Diocese accounts for funds held for other parishes and other organizations throughout the year. These funds do not belong to the Diocese and are therefore treated as agency funds on the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis and their activities are excluded from the Statements of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis. The balance of these agency funds was $22,282,895 and $19,083,325 at December 31, 2025 and 2024, respectively.

NOTE 6 – ENDOWMENT FUNDS

Endowments consist of various investment funds established primarily for operating needs of the Diocese and include board designated net assets and net assets with donor restrictions. Net assets associated with endowment funds are classified as donor-imposed and reported based on Pennsylvania state law and the existence or absence of restrictions. The investment policies and use of earnings for the perpetually restricted portions of the endowment funds are as follows:

Investment Management Policy:
Gifts to the endowment funds are generally given with the donors' expectations that the funds will stay intact and will grow from earnings, which can then be used for current or long-term needs of the Diocese. The Diocese has adopted written investment and spending policies, approved by the Council of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Investment risk is measured in terms of the total endowment fund. Therefore, the funds should be invested in accordance with these general policies:

1. *Preservation of Capital* – Both with respect to the overall Fund and to the assets assigned to each investment manager, the Endowment Committee and the investment managers should make conscious efforts to preserve capital, understanding that losses may occur in individual securities.

2. *Risk Aversion* – Understanding that risk is present in all types of securities and investment styles, the Endowment Committee recognizes that some risk is necessary to produce long-term investment results sufficient to meet the Fund's objectives. However, investment managers are to make reasonable efforts to control risk, and they will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. *Adherence to Investment Discipline* – Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

Investment Objectives:
Specifically, the primary objective in the investment management of fund assets shall be:

- To preserve purchasing power after spending
- To achieve returns that are more than the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of fund assets
- To control risk in the investment of fund assets

Spending Policy:
The Diocese is governed by the Commonwealth of Pennsylvania's Act 141. Act 141 is a total return policy that allows a nonprofit to distribute a percentage of the average market value of the endowment's investments each year. The Diocese established a policy of appropriating for distribution each year a range of 2% to 7% of the average annual value of the endowment assets over the prior three years. For 2025 and 2024, the Diocese used a 5% distribution rate. In establishing these policies, the Diocese considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

NOTE 6 – ENDOWMENT FUNDS (CONTINUED)

Changes in the endowment funds for the year ended December 31, 2025 are as follows:

	Board Designated	Perpetually Restricted	Total
Endowment Net Assets, Beginning of Year	$ 3,362,748	$ 5,837,828	$ 9,200,576
Contributions	621,957	1,700,000	2,321,957
Interest and Dividends	76,232	147,009	223,241
Unrealized/Realized Gain	638,182	1,132,776	1,770,958
Investment Fees	(15,234)	(23,792)	(39,026)
Withdrawals	(426,507)	(387,669)	(814,176)
Endowment Net Assets, End of Year	$ 4,257,378	$ 8,406,152	$ 12,663,530

Changes in the endowment funds for the year ended December 31, 2024 are as follows:

	Board Designated	Perpetually Restricted	Total
Endowment Net Assets, Beginning of Year	$ 3,757,398	$ 5,559,787	$ 9,317,185
Contributions	50	75	125
Interest and Dividends	45,501	77,064	122,565
Unrealized/Realized Gain	349,121	557,588	906,709
Investment Fees	(13,298)	(20,485)	(33,783)
Withdrawals	(776,024)	(336,201)	(1,112,225)
Endowment Net Assets, End of Year	$ 3,362,748	$ 5,837,828	$ 9,200,576

NOTE 7 – BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions have been set aside by the Council of Trustees for the following purposes at December 31:

	2025	2024
Bishop Search	$ 80,978	$ 70,622
Children, Youth, and Young Adults	190,143	170,646
College Ministry	61,617	55,093
Communications	46,841	42,133
Construction	708,308	-
Episcopal Church Women	55,299	48,195
Leadership Development	71,107	1,827,397
Mission and Ministry	914,298	63,959
Parish Loan Fund	1,836,741	822,015
Stevenson School	292,046	262,688
Total Board Designated Net Assets	$ 4,257,378	$ 3,362,748

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	2025	2024
Bishop's Discretionary Funds	$ 4,162	$ 6,196
Construction and Repairs	415,914	380,135
Domestic and Foreign Missions	342,858	308,393
Episcopal Church Women	20,249	17,659
General Purposes	1,095,587	663,955
Missions and Ministry	3,601,950	1,832,440
Parish Support	85,486	76,886
Social Ministry	629,201	566,157
Stevenson School	526,324	473,396
World Outreach, Youth, Aging, Leadership	1,688,542	1,518,807
Total	$ 8,410,273	$ 5,844,024

NOTE 9 – LINE OF CREDIT

In 2012, the Diocese opened a line of credit with Mid Penn Bank in the amount of $250,000. The line is due on demand and bears a variable interest rate based on the Prime Rate. The interest rate as of December 31, 2025 and 2024 was 7.00% and 7.75%, respectively. There were no draws on the line of credit during the years ended December 31, 2025 and 2024.

The Diocese expenses all interest costs as they are paid. There was no interest expense for the years ended December 31, 2025 and 2024.

NOTE 10 – RELATED PARTIES

The Diocese provides grants to parishes within its region for the purpose of assisting congregations with major structural and renovation projects, assistance with certain qualified projects, and assistance with college outreach and other parish missions. During the years ended December 31, 2025 and 2024, the Diocese provided $24,803 and $35,108, respectively, in funding. By virtue of being member parishes, these transactions are considered related party in nature.

The Diocese provides loans to congregations for the purpose of new construction, existing facility remodel or for repairs over a term of 2 to 10 years with a fixed term rate of 2%. These loans are recorded as expense when issued and revenue when repaid on the Diocese's modified cash basis of accounting. The loans outstanding at December 31, 2025 and 2024, totaled $500,975 and $554,233, respectively.

The Diocese is affiliated with the Protestant Episcopal Church of the United States of America. As part of that affiliation, during the years ended December 31, 2025 and 2024, the Diocese committed $212,718 and $249,757, respectively, in support of the national church. In addition, the Diocese participates in various health and benefit plans as provided by the national church, as further described in Note 12.

NOTE 11 – CONCENTRATIONS

The Diocese revenues for the Missionary Budget Fund include amounts received from the sixty-one parishes within its Central Pennsylvania diocese. The parish assessment revenue represents 34.1% and 70.1% of the total non-investment income support and revenue for the Diocese for the years ended December 31, 2025 and 2024, respectively. The continuation of Diocese operations is usually assumed in financial accounting in the absence of evidence to the contrary. The Diocese is subject to uncertainty as to the amounts of future support.

Financial instruments that potentially subject the Diocese to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. The Diocese's accounts at a financial institution may have exceeded the insurance obtained through the FDIC from time to time throughout the year. There was $48,459 and $67,070 in excess of the FDIC limit at December 31, 2025 and 2024, respectively.

The Diocese also holds funds in accounts that are not insured by the FDIC. These amounts were $337,441 and $972,188 at December 31, 2025 and 2024, respectively.

NOTE 12 – POST-RETIREMENT BENEFITS AND RETIREMENT PLANS

The Diocese participates in a defined benefit plan and a defined contribution plan. The defined benefit plan is a multi-employer plan maintained for the benefit of clergy and administered by the Church Pension Fund on behalf of the Protestant Episcopal Church, where the Diocese contributes 18% of eligible wages to the plan. The Diocese's contributions to the plan were $64,094 and $52,335 for the years ended December 31, 2025 and 2024, respectively. The Diocese's relative position in this plan is not readily determinable.

The defined contribution plan covers substantially all eligible lay employees. The provisions of the plan permit the employees to make tax-deferred contributions to the plan not to exceed IRS limitations. The plan also permits the Diocese to make discretionary contributions to the plan. The Diocese's contributions were $34,531 and $37,439 during the years ended December 31, 2025 and 2024, respectively.

The Diocese provides the cost of a health insurance supplement policy to its retired clergy for life. The primary plan for these benefits is administered by an agency of the national church (the Episcopal Church Clergy and Employees). The total paid for these benefits were $664 and $4,704 for the years ended December 31, 2025 and 2024, respectively.

NOTE 13 – GOING CONCERN

Effective January 1, 2026, the Diocese will join with the Episcopal Diocese of Bethlehem and form the Episcopal Diocese of the Susquehanna. A separate legal entity will be formed to accommodate this decision.

These factors create a substantial doubt about the Diocese's ability to continue as a going concern for the year following the date the financial statements are available to be issued.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 27, 2026, which is the date the financial statements were available to be issued.