



**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan**  
**Investment Fund**

**Financial Statements**  
Years Ended December 31, 2019 and 2018

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

---

**Financial Statements**  
Years Ended December 31, 2019 and 2018

**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Contents**

---

<b>Independent Auditor's Report</b>	3-4
<b>Financial Statements</b>	
Statements of Assets and Liabilities as of December 31, 2019 and 2018	6
Schedule of Investments for the Year Ended December 31, 2019	7-8
Schedule of Investments for the Year Ended December 31, 2018	9-10
Statements of Operations for the Years Ended December 31, 2019 and 2018	11
Statements of Changes in Net Assets for the Years Ended December 31, 2019 and 2018	12
Notes to Financial Statements	13-16



Tel: 206-382-7777  
Fax: 206-382-7700  
www.bdo.com

Two Union Square, 601 Union Street  
Suite 2300  
Seattle, WA 98101

## **Independent Auditor's Report**

To the Diocesan Council  
Diocese of Olympia, Inc.  
The James F. Hodges Diocesan Investment Fund  
Seattle, Washington

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Diocese of Olympia, Inc. - The James F. Hodges Diocesan Investment Fund (the "Fund"), which comprise the statement of assets and liabilities and schedule of investments as of December 31, 2019, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Tel: 206-382-7777  
Fax: 206-382-7700  
www.bdo.com

Two Union Square, 601 Union Street  
Suite 2300  
Seattle, WA 98101

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2019, and the results of its operations and changes in its net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter - Prior-Period Financial Statements***

The financial statements of the Diocese of Olympia, Inc. - The James F. Hodges Diocesan Investment Fund as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated June 25, 2019.

*BDO USA, LLP*

February 8, 2021

## Financial Statements

---

**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Statements of Assets and Liabilities**

<i>December 31,</i>	2019	2018
<b>Assets</b>		
Investment Income Receivable	\$ 134,746	\$ 139,523
<b>Investments, at fair value</b>		
Equity securities	64,211,441	50,463,233
Bonds, notes, and other	27,722,462	25,230,196
Cash equivalents	2,461,251	2,721,008
<b>Total Investments</b>	<b>94,395,154</b>	<b>78,414,437</b>
<b>Total Assets</b>	<b>94,529,900</b>	<b>78,553,960</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Participant income payable	287,373	280,268
Investment fees payable	17,205	16,737
Due to the Diocese of Olympia	1,209	546
<b>Total Liabilities</b>	<b>305,787</b>	<b>297,551</b>
<b>Net Assets</b>	<b>\$ 94,224,113</b>	<b>\$ 78,256,409</b>

*See accompanying notes to financial statements.*

**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Schedules of Investments**

<i>December 31, 2019</i>	Number of Shares	Fair Value
<b>Equity Securities</b>		
Abbot Laboratories	9,300	\$ 807,798
AbbVie Inc.	9,300	823,422
Accenture	3,700	779,109
Air Products and Chemicals, Inc.	5,700	1,339,443
Alaska Air Group Inc.	8,200	555,550
Alexandria Real Estate Equities Inc.	3,000	484,740
Alphabet Inc. Class A	1,258	1,684,953
Apple Inc.	6,540	1,920,471
Automatic Data Processing	8,600	1,466,300
Becton Dickinson & Co	5,200	1,414,244
Berkshire Hathaway Inc. Class B	5,800	1,313,700
Blackrock Inc.	2,485	1,249,210
Boeing Company	1,995	649,891
Chevron Corp	8,871	1,069,044
Chubb Ltd.	6,255	973,653
Coca Cola Company	12,900	714,015
ConAgra Foods, Inc.	17,100	585,504
Costco Wholesale, Inc.	6,874	2,020,406
Emerson Electric	8,060	614,656
Enterprise Products Partners LP	27,400	771,584
Exxon Mobil Corp	9,845	686,984
Gilead Sciences, Inc.	8,000	519,840
Honeywell International, Inc.	7,100	1,256,700
Intel Corp	12,700	760,095
iShares S&P Mid Cap ETF	21,560	4,437,479
iShares S&P Small Cap ETF	55,150	4,624,327
Johnson & Johnson	5,200	758,524
JP Morgan Chase & Co	15,165	2,114,001
JP Morgan Emerging Markets Equity	32,787	1,064,918
Kontoor Brands Inc.	2,126	89,271
Lamb Weston Holdings Inc.	7,000	602,210
Mastercard Inc.	2,700	806,193
Microsoft	16,940	2,671,438
Nextera Energy Inc.	5,900	1,428,744
Novartis Ag A	7,200	681,768
Omnicom Group Inc.	10,000	810,200
Paccar, Inc.	12,000	949,200
Parametric Tax Managed Emerging Markets	24,067	1,170,876
Pfizer, Inc.	20,978	821,918
Procter & Gamble Co	9,424	1,177,058
Public Storage Inc.	1,473	313,690
Starbucks Co	13,620	1,197,470
Sysco Corp	14,400	1,231,776
United Technologies	7,500	1,123,200
Vanguard Developed Markets Index	310,028	4,383,792
V F Corporation	14,884	1,483,339
Ventas Inc.	7,315	422,368
Verizon Communications, Inc.	21,500	1,320,100
Walt Disney Co	9,900	1,431,837
Wells Fargo & Co	17,950	965,710
Zoetis Inc.	6,570	869,539
3M Co	4,530	799,183
<b>Total Equity Securities</b>		<b>\$ 64,211,441</b>

*See accompanying notes to financial statements.*



**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Schedules of Investments**

<i>December 31, 2019</i>	Rate of Interest	Maturity	Shares or Face Value	Fair Value
<b>Bonds, Notes, and Other</b>				
Federal Farm Credit Bank Debenture	3.050	7/27/22	500,000	\$ 518,120
Federal Home Loan Bank Debenture	3.125	12/11/20	500,000	506,865
Federal Home Loan Bank Debenture	2.875	12/10/21	500,000	511,950
Federal Home Loan Bank Debenture	3.250	11/16/28	1,000,000	1,093,610
Federal National Mortgage Association	2.625	9/6/24	900,000	936,963
Fidelity Conservative Income Bond Fund	Variable	N/A	99,701	1,001,994
U.S. Treasury Note	2.750	9/30/20	1,000,000	1,008,050
U.S. Treasury Note	2.500	12/31/20	500,000	504,180
U.S. Treasury Note	2.250	7/31/21	1,000,000	1,010,080
U.S. Treasury Note	1.750	5/15/23	900,000	903,483
U.S. Treasury Note	2.875	9/30/23	1,000,000	1,044,410
U.S. Treasury Note	2.125	5/15/25	1,000,000	1,020,630
U.S. Treasury Note	1.625	5/15/26	1,000,000	989,880
U.S. Treasury Note	2.375	5/15/27	1,500,000	1,555,965
U.S. Treasury Note	1.625	8/15/29	1,000,000	974,960
Vanguard GNMA Admiral Fund	Variable	N/A	64,220	677,523
Vanguard Intermediate-Term Investment Grade	Variable	N/A	534,420	5,370,923
Vanguard Short-Term Investment Grade	Variable	N/A	754,229	8,092,876
<b>Total Bonds, Notes, and Other</b>				<b>\$ 27,722,462</b>
<b>Cash Equivalents</b>				
First America Prime Obligation Fund	Variable	N/A	2,461,251	\$ 2,461,251
<b>Total Cash Equivalents</b>				<b>\$ 2,461,251</b>

*See accompanying notes to financial statements.*

**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Schedules of Investments**

<i>December 31, 2018</i>	Number of Shares	Fair Value
<b>Equity Securities</b>		
Abbot Laboratories	9,300	\$ 672,669
AbbVie Inc.	9,300	857,367
Air Products and Chemicals, Inc.	5,700	912,285
Alaska Air Group Inc.	8,200	498,970
Alphabet Inc. Class A	1,258	1,314,560
Apple Inc.	6,540	1,031,620
Automatic Data Processing	8,600	1,127,632
Becton Dickinson & Co	5,200	1,171,664
Berkshire Hathaway Inc. Class B	5,800	1,184,244
Blackrock Inc.	2,485	976,158
Boeing Company	1,995	643,387
Chevron Corp	8,871	965,076
Chubb Ltd.	6,255	808,021
Coca Cola Company	12,900	610,815
ConAgra Foods, Inc.	17,100	365,256
Costco Wholesale, Inc.	6,874	1,400,302
Emerson Electric	8,060	481,585
Enterprise Products Partners LP	27,400	673,766
Exxon Mobil Corp	9,845	671,330
Gilead Sciences, Inc.	8,000	500,400
Honeywell International, Inc.	7,100	938,052
Intel Corp	12,700	596,011
iShares S&P Mid Cap ETF	21,560	3,580,254
iShares S&P Small Cap ETF	55,150	3,822,998
Johnson & Johnson	5,200	671,060
JP Morgan Chase & Co	15,165	1,480,407
Lamb Weston Holdings Inc.	7,000	514,920
Microsoft	16,940	1,720,596
Nextera Energy Inc.	5,900	1,025,538
Novartis Ag A	7,200	617,832
Omnicom Group Inc.	10,000	732,400
Paccar, Inc.	12,000	685,680
Parametric Tax Managed Emerging Markets	24,067	1,068,108
Pfizer, Inc.	20,978	915,690
Procter & Gamble Co	9,424	866,254
Public Storage Inc.	1,473	298,150
Qualcomm Inc.	8,700	495,117
Resideo Technologies Inc.	1	7
Schlumberger Ltd.	9,615	346,909
Starbucks Co	13,620	877,128
Sysco Corp	14,400	902,304
United Technologies	7,500	798,600
Vanguard Developed Markets Index	385,046	4,605,156
V F Corporation	14,884	1,061,824
Ventas Inc.	7,315	428,586
Verizon Communications, Inc.	21,500	1,208,730
Walt Disney Co	9,900	1,085,535
Wells Fargo & Co	17,950	827,136
Zoetis Inc.	6,570	561,998
3M Co	4,530	863,146
<b>Total Equity Securities</b>		<b>\$ 50,463,233</b>

*See accompanying notes to financial statements.*

**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Schedules of Investments**

<i>December 31, 2018</i>	Rate of Interest	Maturity	Shares or Face Value	Fair Value
<b>Bonds, Notes, and Other</b>				
Federal Farm Credit Bank Debenture	3.050	7/27/22	500,000	\$ 506,495
Federal Home Loan Bank Debenture	4.375	6/14/19	1,000,000	1,007,910
Federal Home Loan Bank Debenture	3.125	12/11/20	500,000	505,445
Federal Home Loan Bank Debenture	2.875	12/10/21	500,000	503,775
Federal National Mortgage Association	2.625	9/6/24	900,000	896,868
Fidelity Conservative Income Bond Fund	Variable	N/A	99,701	997,009
U.S. Treasury Note	2.750	9/30/20	1,000,000	1,003,750
U.S. Treasury Note	2.250	7/31/21	1,000,000	994,450
U.S. Treasury Note	1.750	5/15/23	900,000	872,082
U.S. Treasury Note	2.875	9/30/23	1,000,000	1,016,250
U.S. Treasury Note	2.125	5/15/25	1,000,000	973,130
U.S. Treasury Note	1.625	5/15/26	1,000,000	933,830
U.S. Treasury Note	2.375	5/15/27	1,500,000	1,468,590
Vanguard GNMA Admiral Fund	Variable	N/A	64,220	658,257
Vanguard Intermediate-Term Investment Grade	Variable	N/A	534,420	5,018,206
Vanguard Short-Term Investment Grade	Variable	N/A	754,229	7,874,149
<b>Total Bonds, Notes, and Other</b>				<b>\$ 25,230,196</b>
<b>Cash Equivalents</b>				
First America Prime Obligation Fund	Variable	N/A	2,721,008	\$ 2,721,008
<b>Total Cash Equivalents</b>				<b>\$ 2,721,008</b>

*See accompanying notes to financial statements.*

**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Statements of Operations**

<i>Year Ended December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Investment Income</b>		
Dividends and interest	\$ 2,151,838	\$ 1,980,284
Securities lending and other income	790	2,092
<b>Total Investment Income</b>	<b>2,152,628</b>	<b>1,982,376</b>
<b>Expenses</b>		
Agency fees	68,451	65,901
Audit and accounting fees	13,400	13,000
Miscellaneous expense	2,043	1,998
<b>Total Expenses</b>	<b>83,894</b>	<b>80,899</b>
<b>Excess Investment Income over Expenses</b>	<b>2,068,734</b>	<b>1,901,477</b>
<b>Realized and Unrealized Investment Gain (Loss)</b>		
Net realized investment gain (loss)	(243,547)	142,621
Net unrealized investment gain (loss)	14,344,862	(3,879,503)
<b>Net Gain (Loss) on Investments</b>	<b>14,101,315</b>	<b>(3,736,882)</b>
<b>Change in Net Assets Resulting from Operations</b>	<b>\$ 16,170,049</b>	<b>\$ (1,835,405)</b>

*See accompanying notes to financial statements.*

**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Statements of Changes in Net Assets**

<i>Year Ended December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Change in Net Assets Resulting from Operations</b>	<b>\$ 16,170,049</b>	<b>\$ (1,835,405)</b>
<b>Distributions of Dividends Paid to Shareholders</b>	<b>(2,062,098)</b>	<b>(1,847,341)</b>
<b>Capital Share Transactions</b>		
Proceeds from shareholder purchases and dividends reinvested	<b>3,635,565</b>	<b>6,437,584</b>
Shareholder redemptions	<b>(1,775,812)</b>	<b>(3,252,200)</b>
<b>Increase in Net Assets Resulting from     Capital Share Transactions</b>	<b>1,859,753</b>	<b>3,185,384</b>
<b>Change in Net Assets</b>	<b>15,967,704</b>	<b>(497,362)</b>
<b>Net Assets, beginning of year</b>	<b>78,256,409</b>	<b>78,753,771</b>
<b>Net Assets, end of year</b>	<b>\$ 94,224,113</b>	<b>\$ 78,256,409</b>

*See accompanying notes to financial statements.*

**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Notes to Financial Statements**

---

**1. Organization and Significant Accounting Policies**

The Diocese of Olympia, Inc. (the “Diocese”) is a Diocese of the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America (the “Episcopal Church”). The Diocese includes all Episcopal churches in Western Washington.

The James F. Hodges Diocesan Investment Fund (the “Fund”) was organized in 1951 as an investment pool for the endowments of the Diocese and its parishes, missions, and related institutions. The Fund’s current name was adopted in 1987.

The Fund’s investment strategy is to balance the need for current income and growth in asset value to offset inflation by investing in a mixture of equity and debt securities. The securities are currently held by U.S. Bank. The Diocesan Investment Committee makes investment decisions. The funds are not federally insured.

The Diocese has funds other than the Fund, which are called the Operating Funds, Trust Funds, and the Building Loan, Mission Development, and Real Estate Funds. These funds are included in separate financial statements.

***Financial Statement Presentation***

The Fund follows the accounting policies of an investment pool, in accordance with accounting principles generally accepted in the United States of America. Securities are valued at fair value based on closing sales prices reported on recognized securities exchanges on the last business day of the year (see Note 2).

Securities transactions are accounted for on a trade date basis. Realized gains and losses from securities transactions are reported on a specific identification basis. The Fund distributes net cash investment income to shareholders monthly, but net capital gains are reinvested with the exception of procedures provided in the corporate spending policy. Shareholders may reinvest dividends, or purchase or redeem shares, on a monthly basis only.

Requests for purchases are administered by the Diocese, which collects funds for purchases in the current month and then remits the funds to U.S. Bank in the subsequent month. Shares are purchased at the net asset value at the beginning of the month after U.S. Bank receives the funds. At December 31, 2019 and 2018, the Diocese held \$862,913 and \$352,987 in funds for purchase in January 2020 and 2019, respectively. These amounts are not included in the financial statements until shares are purchased. They are included in the financial statements of the Diocese.

***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 certain reported amounts and disclosures. Actual results could differ from those estimates.

***Taxes***

The Diocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is not required to file a federal tax return.

**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Notes to Financial Statements**

---

***Subsequent Events***

The Fund has evaluated subsequent events through the date these financial statements were available to be issued, which was February 8, 2021. See Note 7.

**Note 2. Fair Value Measurement**

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability.

The fair value of all investments was determined using Level 1 observable inputs (quoted prices in active markets for identical assets) within the fair value hierarchy using quoted market rates.

**Note 3. Unrealized Appreciation (Depreciation)**

Unrealized appreciation (depreciation) on investments was as follows:

<i>December 31, 2019</i>	Cost	Fair Value	Unrealized Appreciation
Equity securities	\$ 28,052,583	\$ 64,211,441	\$ 36,158,858
Bonds, notes, and other	27,143,431	27,722,462	579,031
Cash equivalents	2,461,251	2,461,251	-
<b>Total</b>	<b>\$ 57,657,265</b>	<b>\$ 94,395,154</b>	<b>\$ 36,737,889</b>

<i>December 31, 2018</i>	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity securities	\$ 27,704,561	\$ 50,463,233	\$ 22,758,672
Bonds, notes, and other	25,613,098	25,230,196	(382,902)
Cash equivalents	2,721,008	2,721,008	-
<b>Total</b>	<b>\$ 56,038,667</b>	<b>\$ 78,414,437</b>	<b>\$ 22,375,770</b>

**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Notes to Financial Statements**

---

**Note 4. Shareholders**

The Fund's investment pool activity is as follows:

	Number of Shares	Per Share Value
Shares outstanding, December 31, 2017	289,927	\$ 272
Shares purchased and dividends reinvested	23,403	-
Shares redeemed	(11,951)	-
Shares outstanding, December 31, 2018	301,379	260
Shares purchased and dividends reinvested	13,045	-
Shares redeemed	(6,236)	-
<b>Shares Outstanding, December 31, 2019</b>		<b>\$ 306</b>

**Note 5. Related Party Transaction**

The Fund is charged approximately \$5,000 per year for the common expenses paid by the Diocese.

**Note 6. Investment Policy - Tobacco and Fossil Fuel Stocks**

In accordance with the investment policy recommended by the Executive Council of the Episcopal Church, the Fund does not invest in securities issued by companies that manufacture and distribute tobacco products.

In 2020, the Diocese of Olympia amended its investment policy, as recommended by the Executive Council of the Episcopal Church, to divest of securities issued by fossil fuel companies.

**7. Subsequent Events**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Fund's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Fund is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.



**Diocese of Olympia, Inc.**  
**The James F. Hodges Diocesan Investment Fund**

**Notes to Financial Statements**

---

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by the COVID-19 outbreak.

The Fund will continue to examine the impact that the CARES Act may have on its business. Currently, the Fund is unable to determine the impact that the CARES Act will have on its financial condition, results of operation, or liquidity.