

**DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN**

Financial Statements

For the Years Ended December 31, 2021 and 2020

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Assets and Liabilities	3
Schedule of Investments	4 - 9
Statements of Operations	10
Statements of Changes in Net Assets	11
Notes to Financial Statements	12 - 14

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Diocese of Olympia, Inc. - The James F. Hodges Diocesan Investment Fund (the Fund), which comprise the statements of assets and liabilities, including the schedule of investments as of December 31, 2021 and 2020, and the related statements of operations and changes in net assets for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2021 and 2020, and the results of operations and changes in net assets for the years 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 (GAAS). 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 Fund 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 the Fund's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS, 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 Fund'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 Fund'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.

Clark Nuber P.S.

Certified Public Accountants
October 31, 2024

**DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN**

**Statements of Assets and Liabilities
December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Assets		
Investment income receivable	\$ 115,423	\$ 98,552
Investments, at Fair Value:		
Equity securities	83,610,607	72,099,806
Bonds, notes and other	27,794,485	27,045,184
Cash equivalents	<u>2,417,354</u>	<u>2,209,136</u>
Total Investments, at Fair Value	<u>113,822,446</u>	<u>101,354,126</u>
Total Assets	<u>\$113,937,869</u>	<u>\$101,452,678</u>
Liabilities and Net Assets		
Liabilities:		
Participant income payable	\$ 312,711	\$ 286,908
Investment fees payable	21,334	20,870
Due to the Diocese of Olympia	<u>229</u>	<u>5,681</u>
Total Liabilities	<u>\$ 334,274</u>	<u>\$ 313,459</u>
Net Assets	<u>\$113,603,595</u>	<u>\$101,139,219</u>

See accompanying notes.

DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN

Schedule of Investments
For the Year Ending December 31, 2021

	Number of Shares	Fair Value
Equity Securities:		
Abbot Laboratories	9,300	\$ 1,308,881
AbbVie Inc.	9,300	1,259,220
Accenture	3,700	1,533,835
Air Products and Chemicals, Inc.	5,700	1,734,282
Alexandria Real Estate Equities Inc.	4,500	1,003,320
Alphabet Inc. Class A	1,158	3,354,772
Apple Inc.	23,860	4,236,820
Automatic Data Processing	8,600	2,120,588
Becton Dickinson & Co.	5,200	1,307,696
Berkshire Hathaway Inc. Class B	5,800	1,734,200
Blackrock Inc.	2,485	2,275,167
Carrier	7,500	406,800
Chubb Ltd.	9,255	1,789,084
Coca Cola Company	12,900	763,809
ConAgra Foods, Inc.	17,100	583,965
Costco Wholesale, Inc.	5,374	3,050,820
Emerson Electric	8,060	749,338
Enterprise Products Partners LP	27,400	601,704
Honeywell International, Inc.	7,100	1,480,421
Intel Corp	17,700	911,550
iShares S&P Mid Cap ETF	21,560	6,103,205
iShares S&P Small Cap ETF	55,150	6,315,227
Johnson & Johnson	7,200	1,231,704
JP Morgan Chase & Co	15,165	2,401,378
JP Morgan Emerging Markets Equity	32,787	1,238,689
Lamb Weston Holdings Inc.	7,000	443,660
Mastercard Inc.	4,200	1,509,144
Microsoft	12,640	4,251,085
Nextera Energy Inc.	21,000	1,960,560
Novartis Ag A	7,200	629,784
Omnicom Group Inc.	10,000	732,700
Otis Worldwide Corp	3,750	326,513
Pacaar, Inc.	12,000	1,059,120
Parametrix Tax Managed Emerging Markets	24,067	1,144,642
Pfizer, Inc.	20,978	1,238,751
Procter & Gamble Co	9,424	1,541,578
Public Storage Inc.	1,473	551,727
Raytheon Technologies Corp Com	7,500	645,450
Starbucks Co	13,620	1,593,131
Sysco Corp	14,400	1,131,120
Target Corp	6,500	1,504,360
Unitedhealth Group Inc.	2,800	1,405,992
Vanguard Developed Markets Index	346,347	5,693,950

See accompanying notes.

DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN

Schedule of Investments (Continued)
For the Year Ending December 31, 2021

	Number of Shares	Fair Value
V F Corporation	14,884	1,089,806
Ventas Inc.	7,315	373,943
Verizon Communications, Inc.	25,900	1,345,764
Walt Disney Co	9,900	1,533,411
Zoetis Inc.	6,570	1,603,277
3M Co	4,530	804,664
Total Equity Securities		<u>\$ 83,610,607</u>

See accompanying notes.

DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN

Schedule of Investments
For the Year Ending December 31, 2021

	<u>Rate of Interest</u>	<u>Maturity</u>	<u>Number of Shares</u>	<u>Fair Value</u>
Bonds, Notes and Other:				
Federal Farm Credit Bank Debenture	3.050	7/27/2022	500,000	\$ 508,325
Federal Home Loan Bank Debenture	3.250	11/16/2028	1,000,000	1,117,150
Federal National Mortgage Association	2.625	9/6/2024	900,000	941,481
U.S. Treasury Note	1.750	5/15/2023	900,000	914,832
U.S. Treasury Note	0.250	9/30/2023	1,000,000	992,970
U.S. Treasury Note	2.875	9/30/2023	1,000,000	1,038,130
U.S. Treasury Note	0.375	7/15/2024	1,000,000	987,660
U.S. Treasury Note	0.375	9/15/2024	1,000,000	985,860
U.S. Treasury Note	2.875	7/31/2025	910,000	967,057
U.S. Treasury Note	1.625	5/15/2026	1,000,000	1,016,760
U.S. Treasury Note	0.500	6/30/2027	1,000,000	956,880
U.S. Treasury Note	1.250	6/30/2028	1,000,000	989,770
U.S. Treasury Note	1.625	8/15/2029	1,000,000	1,014,490
U.S. Treasury Note	1.500	2/15/2030	1,000,000	1,005,160
Vanguard Intermediate-Term Investment Grade	Variable	N/A	528,044	5,254,041
Vanguard Short-Term Investment Grade	Variable	N/A	845,304	9,103,919
Total Bonds, Notes and Other				<u>\$27,794,485</u>
Cash Equivalents:				
First America Prime Obligation Fund	Variable	N/A	2,417,354	\$ 2,417,354
				<u>\$ 2,417,354</u>

See accompanying notes.

DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN

Schedule of Investments
For the Year Ending December 31, 2020

	Number of Shares	Fair Value
Equity Securities:		
Abbot Laboratories	9,300	\$ 1,018,256
AbbVie Inc.	9,300	996,495
Accenture	3,700	966,477
Air Products and Chemicals, Inc.	5,700	1,557,354
Alaska Air Group Inc.	8,200	426,400
Alexandria Real Estate Equities Inc.	4,500	801,990
Alphabet Inc. Class A	1,258	2,204,821
Apple Inc.	26,160	3,471,170
Automatic Data Processing	8,600	1,515,320
Becton Dickinson & Co.	5,200	1,301,144
Berkshire Hathaway Inc. Class B	5,800	1,344,846
Blackrock Inc.	2,485	1,793,027
Carrier	7,500	282,900
Chevron Corp	2,971	250,901
Chubb Ltd.	9,255	1,424,530
Coca Cola Company	12,900	707,436
ConAgra Foods, Inc.	17,100	620,046
Costco Wholesale, Inc.	6,874	2,589,985
Emerson Electric	8,060	647,782
Enterprise Products Partners LP	27,400	536,766
Exxon Mobil Corp	3,285	135,408
Gilead Sciences, Inc.	8,000	466,080
Honeywell International, Inc.	7,100	1,510,170
Intel Corp	17,700	881,814
iShares S&P Mid Cap ETF	21,560	4,955,135
iShares S&P Small Cap ETF	55,150	5,068,285
Johnson & Johnson	7,200	1,133,136
JP Morgan Chase & Co	15,165	1,927,017
JP Morgan Emerging Markets Equity	32,787	1,433,444
Lamb Weston Holdings Inc.	7,000	551,180
Mastercard Inc.	4,200	1,499,148
Microsoft	15,540	3,456,407
Nextera Energy Inc.	21,000	1,620,150
Novartis Ag A	7,200	679,896
Omnicom Group Inc.	10,000	623,700
Otis Worldwide Corp	3,750	253,313
Pacaar, Inc.	12,000	1,035,360
Parametrix Tax Managed Emerging Markets	24,067	1,201,922
Pfizer, Inc.	20,978	772,200
Procter & Gamble Co	9,424	1,311,255
Public Storage Inc.	1,473	340,160
Raytheon Technologies Corp Com	7,500	536,325
Starbucks Co	13,620	1,457,068

See accompanying notes.

DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN

Schedule of Investments (Continued)
For the Year Ending December 31, 2020

	Number of Shares	Fair Value
Sysco Corp	14,400	1,069,344
Target Corp	6,500	1,147,445
Unitedhealth Group Inc.	2,800	981,904
Vanguard Developed Markets Index	310,028	4,721,722
V F Corporation	14,884	1,271,242
Ventax Inc.	7,315	358,728
Verizon Communications, Inc.	25,900	1,521,625
Viatrix Inc.	2,602	48,761
Walt Disney Co	9,900	1,793,682
Zoetis Inc.	6,570	1,087,335
3M Co	4,530	791,799
Total Equity Securities		<u>\$ 72,099,806</u>

See accompanying notes.

DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN

Schedule of Investments
For the Year Ending December 31, 2020

	Rate of Interest	Maturity	Number of Shares	Fair Value
Bonds, Notes and Other:				
Federal Farm Credit Bank Debenture	3.050	7/27/2022	500,000	\$ 522,865
Federal Home Loan Bank Debenture	2.875	12/10/2021	500,000	512,845
Federal Home Loan Bank Debenture	3.250	11/16/2028	1,000,000	1,195,880
Federal National Mortgage Association	2.625	9/6/2024	900,000	978,858
U.S. Treasury Note	2.250	7/31/2021	1,000,000	1,012,270
U.S. Treasury Note	1.750	5/15/2023	900,000	934,245
U.S. Treasury Note	2.875	9/30/2023	1,000,000	1,074,260
U.S. Treasury Note	1.625	5/15/2026	1,000,000	1,064,770
U.S. Treasury Note	1.625	8/15/2029	1,000,000	1,069,770
U.S. Treasury Note	1.500	2/15/2030	1,000,000	1,057,930
Vanguard GNMA Admiral Fund	Variable	N/A	64,220	689,725
Vanguard Intermediate-Term Investment Grade	Variable	N/A	726,654	7,608,068
Vanguard Short-Term Investment Grade	Variable	N/A	845,304	9,323,698
Total Bonds, Notes and Other				<u><u>\$27,045,184</u></u>
Cash Equivalents:				
First America Prime Obligation Fund	Variable	N/A	2,174,233	\$ <u>2,209,136</u>
				<u><u>\$ 2,209,136</u></u>

See accompanying notes.

DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN

Statements of Operations
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Investment Income:		
Dividends and interest	\$ 1,957,648	\$ 1,999,517
Securities lending and other income	<u>426</u>	<u>917</u>
Total Investment Income	<u>1,958,074</u>	<u>2,000,434</u>
Expenses:		
Agency fees	84,663	79,785
Audit and accounting fees	9,508	14,000
Miscellaneous	<u>229</u>	<u>681</u>
Total Expenses	<u>94,400</u>	<u>94,466</u>
Excess Investment Income Over Expenses	<u>1,863,674</u>	<u>1,905,968</u>
Realized and Unrealized Investment Gain:		
Net realized investment gain	1,977,605	1,681,757
Net unrealized investment gain	<u>11,712,182</u>	<u>6,308,724</u>
Net Gain on Investments	<u>13,689,787</u>	<u>7,990,481</u>
Change in Net Assets Resulting From Operations	<u><u>\$ 15,553,461</u></u>	<u><u>\$ 9,896,449</u></u>

See accompanying notes.

**DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN**

**Statements of Changes in Net Assets
For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Change in net assets resulting from operations	\$ 15,553,461	\$ 9,896,449
Distributions of dividends paid to shareholders	(1,854,203)	(1,910,848)
Capital Share Transactions:		
Proceeds from shareholder purchases and dividends reinvested	2,381,930	2,919,054
Shareholder redemptions	<u>(3,616,812)</u>	<u>(3,989,549)</u>
Decrease in Net Assets Resulting From Capital Share Transactions	<u>(1,234,882)</u>	<u>(1,070,495)</u>
Change in Net Assets	12,464,376	6,915,106
Net assets, beginning of year	<u>101,139,219</u>	<u>94,224,113</u>
Net Assets, End of Year	<u>\$113,603,595</u>	<u>\$101,139,219</u>

See accompanying notes.

**DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN**

**Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020**

Note 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 company, 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 (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, 2021 and 2020, the Diocese held \$248,200 and \$52,242 in funds for purchase in January 2022 and 2021, 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 Internal Revenue Service has determined that the Diocese is exempt from federal income tax under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Subsequent Events - The Fund has evaluated subsequent events through October 31, 2024, the date on which the financial statements were available to be issued.

**DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN**

**Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020**

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

Unrealized appreciation on investments was as follows as of December 31:

	2021		
	Cost	Fair Value	Unrealized Appreciation
Equity securities	\$ 28,975,308	\$ 83,610,607	\$ 54,635,299
Bonds, notes and other	27,469,033	27,794,485	325,452
Cash equivalents	2,417,354	2,417,354	
	<u>\$ 58,861,695</u>	<u>\$113,822,446</u>	<u>\$ 54,960,751</u>
	2020		
	Cost	Fair Value	Unrealized Appreciation
Equity securities	\$ 30,160,037	\$ 72,099,806	\$ 41,939,769
Bonds, notes and other	25,736,403	27,045,184	1,308,781
Cash equivalents	2,209,136	2,209,136	
	<u>\$ 58,105,576</u>	<u>\$101,354,126</u>	<u>\$ 43,248,550</u>

**DIOCESE OF OLYMPIA, INC.
THE JAMES F. HODGES DIOCESAN**

**Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020**

Note 4 - Shareholders

The Fund's investment pool activity is as follows:

	Number of Shares	Per Share Value
Shares Outstanding, December 31, 2019	308,188	\$ 306
Shares purchased and dividends reinvested	9,916	
Shares redeemed	(13,617)	
Shares Outstanding, December 31, 2020	304,487	333
Shares purchased and dividends reinvested	6,805	
Shares redeemed	(10,270)	
Shares Outstanding, December 31, 2021	301,022	\$ 378

Note 5 - Financial Highlights

The ratios to average net assets and total return are presented in the following table for the years ended December 31, 2021 and 2020. The ratios and total return are not annualized. The computation of similar financial information for other participating shareholders may vary based on the timing of their respective capital transactions.

Annual ratios to average net assets and total return for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Ratios to average net assets-		
Total expenses	0.09%	0.10%
Total investment income	1.82%	2.05%
Total gain on investments	12.75%	8.18%

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.