

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

BOARD MEETING AGENDA
MONDAY, APRIL 1, 2019 | 1:00-3:00 P.M.
MICROSOFT CAMPUS, BUILDING 34

Conference call dial in #: 425-616-0754 / passcode: 348 488 00#

I. Meeting Called to Order		Brad Smith WSOS Board Chair	1:00p
II. Approval of Minutes from January 10, 2019 Meeting	[Tab A]	Brad Smith	1:00-1:05p
III. Scholar Spotlight: Cristal Rangel Peña	[Tab B]	Naria K. Santa Lucia WSOS Executive Director	1:05-1:10p
IV. 2019-20 Applications & Selection <i>Board Action: Baccalaureate Scholarship Selection Criteria</i>	[Tab C]	Kimber Connors WSOS Deputy Director	1:10-1:45p
V. Program Update	[Tab D]	Theresa Britschgi Scholar Placement Director Erin Ashley Development Director Jessica Monger External Affairs Director	1:45-1:55p
VI. Finance and Program Administrator Update	[Tab E]	Mack Hogans F&I Committee Chair Yoko Shimomura COO, Washington STEM	1:55-2:05p
VII. Executive Committee Meeting Review performance of WSOS Executive Director		WSOS Board of Directors	2:05-3:00p
VIII. Closing		Brad Smith	3:00p

Important Upcoming Dates

2019 Board Meetings - all meetings at Microsoft campus at 1-3p
Wednesday, June 19
Thursday, September 26
Tuesday, December 17

OpportunityTalks, Wednesday, November 6, 2019 at the Sheraton Seattle

Tab A

Minutes from the January 10, 2019 Board Meeting

**WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD MEETING
THURSDAY, JANUARY 10, 2019, 1-3 PM, MICROSOFT CAMPUS**

MEETING MINUTES

The Board of Directors of the Washington State Opportunity Scholarship (WSOS) met on January 10, 2019 at the Microsoft headquarters in Redmond, Washington.

Board members: Brad Smith, Miller Adams, Antony Chiang, Joelle Denney, Mack Hogans, Jane Park, Gary Rubens, Julie Sandler, Jim Sinegal and Mike Wilson; Diane Cecchetti by phone

Additional attendees: Naria Santa Lucia, Erin Ashley, Gina Breukelman, Theresa Britschgi, Jane Broom, Kimber Connors, Rebecca Darrow, Karyl Gregory, Caroline King, Bruce Marvin and Steve Walker; Lianda Abraham, Terrie Ashby-Scott, Mesa Herman, Patrick Kang, Jenna Magnotti, Joanna Moznette, Stan Pichinevskiy and Casey Radostitz by phone

Meeting Called to Order

Brad Smith called the Board Meeting to order at 1:02 pm.

Approval of Minutes

Mack Hogans moved that the minutes of the September 5, 2018 Board Meeting be approved. Julie Sandler seconded the motion and it carried unanimously.

WSOS Scholar Spotlight

Theresa Britschgi, Scholar Placement Director at WSOS, introduced WSOS Scholar Rebecca Darrow who is from Poulsbo and graduated from Kitsap High School. Darrow reported that she participated in WSOS's first ever Ask Me Anything event with Jane Park. Darrow is currently serving as a Scholar Lead with twelve new Scholars. She observed that the Scholar Lead program is valuable because it makes it easier for a new student to direct a question to an older student versus a WSOS staff person. Darrow is looking forward to graduating, working at Accenture and becoming a WSOS mentor. With her specialized bioengineering degree, Darrow believes she can do anything.

2018 Legislative Report & Five-Year Post Graduate Report

Kimber Connors, Deputy Director at WSOS, reported on the highlights of Cohort 7 as reported in the 2018 Legislative Report. Connors indicated that data visualization will become available in the next few months. Connors presented a comparison of participating Scholar applicants across all seven cohorts including their family income, home county, and race or ethnicity. Connors also reported on Cohort 7 participants in terms of the top six counties they represent, their family income, gender, and their race or ethnicity,

Connors then reported on the results of an impact study for which a survey was done with five years of WSOS graduates. The study, administered in September 2018, revealed the following data: 83% of graduates have earned a bachelor's degree in a STEM or health care field; 86% of graduates have found employment in Washington; 79% of graduates found a job within three months; 1 out of 10 graduates pursued a post-graduate degree; about 2 out of 3 graduates give back to their communities through volunteering; the personal median income of WSOS graduates within five years of graduating is \$61,000 and earnings increase significantly over time.

Connors reported that the most surprising data to her was the number of Scholars who move home and secure a job in their hometown area after graduation. Connors reported that Scholars who participated in WSOS program supports said the services were highly valuable. Connors reflected that the human connection is so beneficial and confirms that WSOS is more than just money.

Pathways Scholarship Launch Proposal

Naria Santa Lucia, WSOS Executive Director, announced a \$2M donation from the Rubens Family Foundation for the new Pathways Scholarship. Santa Lucia further reported that Boeing has decided to direct their \$12.5M Endowment donation to the Pathways Scholarship, which is also matched by the State. This means that at least 500 students will be awarded Pathways Scholarships for the next 10 years.

The goal of the Pathways Scholarship is to increase the number of students who complete a high-demand professional or technical degree/certification program in Washington and to decrease the number of students who drop out of those programs. These students need knowledge of pathways beyond their high school credential, financial security above tuition, academic advising, work-like experience, and assistance finding a job or pursuing a BA/BS opportunity. The current SBCTC completion rate for students 25 and younger is 16-24%. Using the Pathways Scholarship model, the targeted completion rate in two years or less will be 66%.

Santa Lucia presented the 2019-2020 proposed Pathways Scholarship model which would include the following key components: \$1500 per quarter scholarship award or \$500 per month while enrolled in school; funding would apply to all expenses, not just tuition; targeted awardees would be recent high school graduates who have a demonstrated interest in pursuing a professional/technical pathway; selected degree programs would be regionally high-demand ones, differentiated by institution and verified by industry; WSOS would partner closely with high schools, community colleges and other organizations to identify candidates in eligible programs; the program modeled costs would include \$500 per student to ensure recipients receive the student support necessary to succeed (such as case management, industry mentorship, assistance with securing paid work-like experiences and post-completion career placement counseling and navigation); WSOS support services will be additive to the support services already provided by community & technical colleges.

Santa Lucia reported that implementing the Pathways Scholarship will be impacted by the legislative session's handling of the College Bound issue. Santa Lucia further reported that WSOS already has \$27M in hand for the Pathways Scholarship which would fund 5,400 Pathways Scholars. In comparison, 17,000 students graduate each year from high school. The financial goal is to raise \$200M to fund 40,000 Pathways Scholars over the next ten years.

Antony Chiang made a motion to accept as presented the 2019-2020 Pathways Scholarship model. Mack Hogans seconded the motion and it was approved unanimously.

Celebrating 2018 & Looking to 2019

Santa Lucia introduced Steve Walker as the new Awards Administration Director at WSOS. Walker briefly shared his background before coming to WSOS.

Santa Lucia reported that new Scholars were onboarded in a different way in the fall using welcome videos and quizzes to complete. Santa Lucia further reported that the click rate on Scholar emails is now over 80%.

A new Scholar Lead program has been developed and Scholars are given a WSOS message to place on their LinkedIn profile. Scholars were required to upload their academic plan in December.

The Skills that Shine program has been revamped and 200 Scholars are currently working with a mentor this academic year.

Erin Ashley, the WSOS Director of Development, reported highlights of our OpportunityTalks Breakfast on November 1st with WSOS Scholar alumni Yarely Gomez as the speaker. The breakfast event featured 100% participation by the Board. With donations and the state match, over \$900,000 was raised at the breakfast and, as of December 31, 2018, the amount is now over \$1M. Next year's OpportunityTalks Breakfast will look back at WSOS' impact over the past five years.

Santa Lucia reported that WSOS has a new website and we have received considerable media exposure. Goals for 2019 include: launching the Pathways Scholarship; fundraising for our Opportunity, Pathways, and Advanced Health Care scholarships; advocacy with College Bound and with municipal investments (municipalities are considering giving money to the Pathways Scholarship which would receive the state match); organizational capacity building and strategic synergies with Washington STEM, our program administrator. Santa Lucia confirmed that WSOS is eager to sustain and build on our program with new scaling opportunities.

Santa Lucia presented the proposed WSOS 2019 budget and explained its key assumptions. Our ask from the legislature is \$23M. We know we already have \$13M but we are hoping for another \$10M. Careful thought is being given to our message to the legislature because enrollment at community colleges typically increases during a recession.

Mack Hogans made a motion to accept the proposed 2019 budget. Jim Sinegal seconded the motion and it carried unanimously.

Finance & Program Administrator Update

Mack Hogans expressed the Finance and Investment Committee's confidence in the financials based on the report provided by Washington STEM at their last committee meeting. Hogans reported that the asset allocation for the Scholarship Account has been shifted to minimize risk. Benchmarks were met or exceeded through September 2018 for both the Scholarship and Endowment accounts.

Hogans reported that Peter Harvey, one of the original members of the Finance and Investment Committee, has stepped off the committee. The committee is seeking a replacement from eastern Washington and from higher education.

Hogans expressed appreciation for the capable support from Washington STEM and reported that Matt Poth is now the Director of Finance. Accounting assistance is provided by Nicole Arriaga and Jill Nelson provides all the HR support. Yoko Shimomura, from the Gates Foundation, has been hired as the new Chief Operating Officer and will begin on Monday, January 14th. Naria Santa Lucia will assist with onboarding Shimomura.

The meeting adjourned at 2.55 pm.

Respectfully submitted,
Karyl Gregory

Tab B

WSOS Scholar Spotlight

SCHOLAR SPOTLIGHT

Cristal Rangel Peña

Cristal is a Cohort 1 Washington State Opportunity Scholar! Following her graduation from the University of Washington Seattle's School of Public Health, Cristal worked as a College Access Coach at College Access Now. As an advisor, Cristal advised low-income, first-generation high school students.

Recently, Cristal was hired to serve as an Awards Coordinator at WSOS. She is our first official WSOS Scholar Alumni hire.

We are so excited to have Cristal on the team with her extensive experience serving students, especially with her perspective as a former Opportunity Scholar!

We are so pleased to introduce Cristal and welcome her to the WSOS team!



Tab C

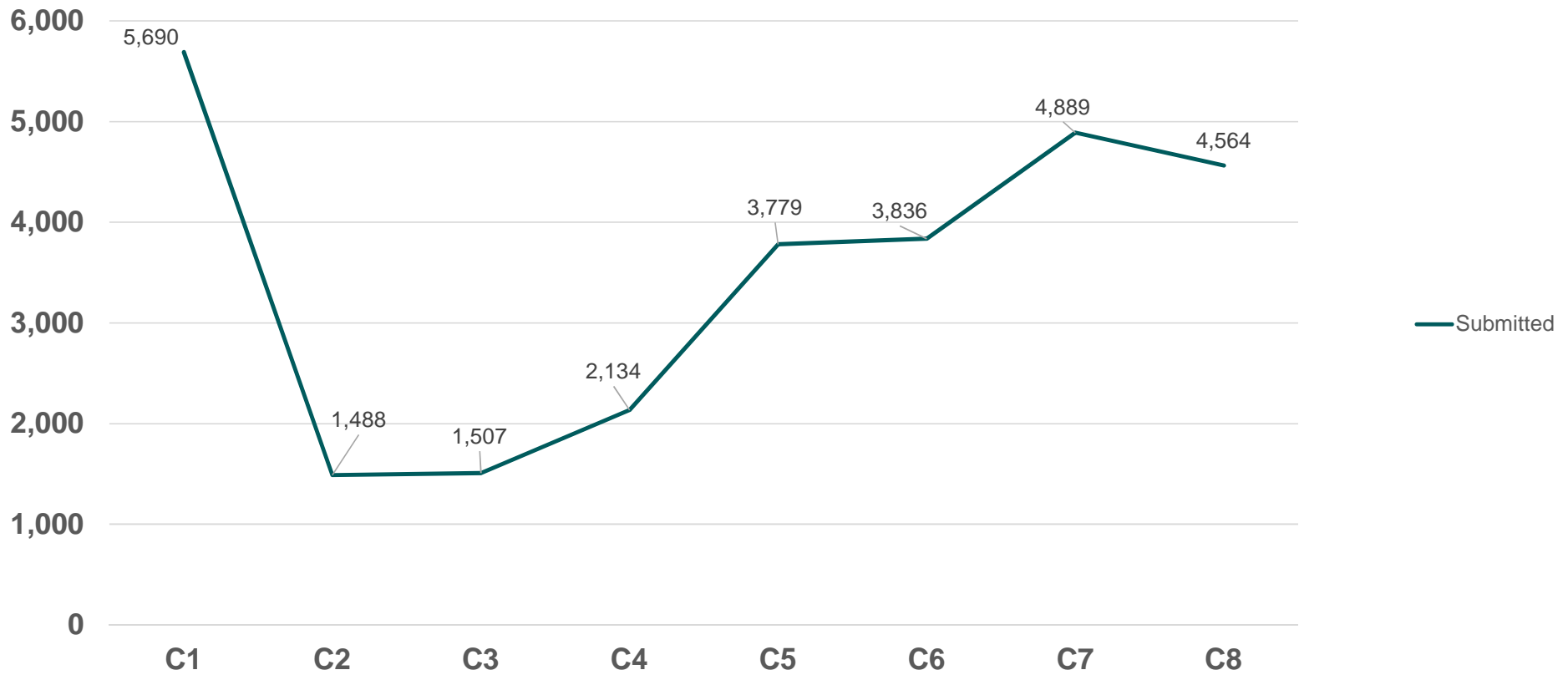
2019-20 Applications & Selection

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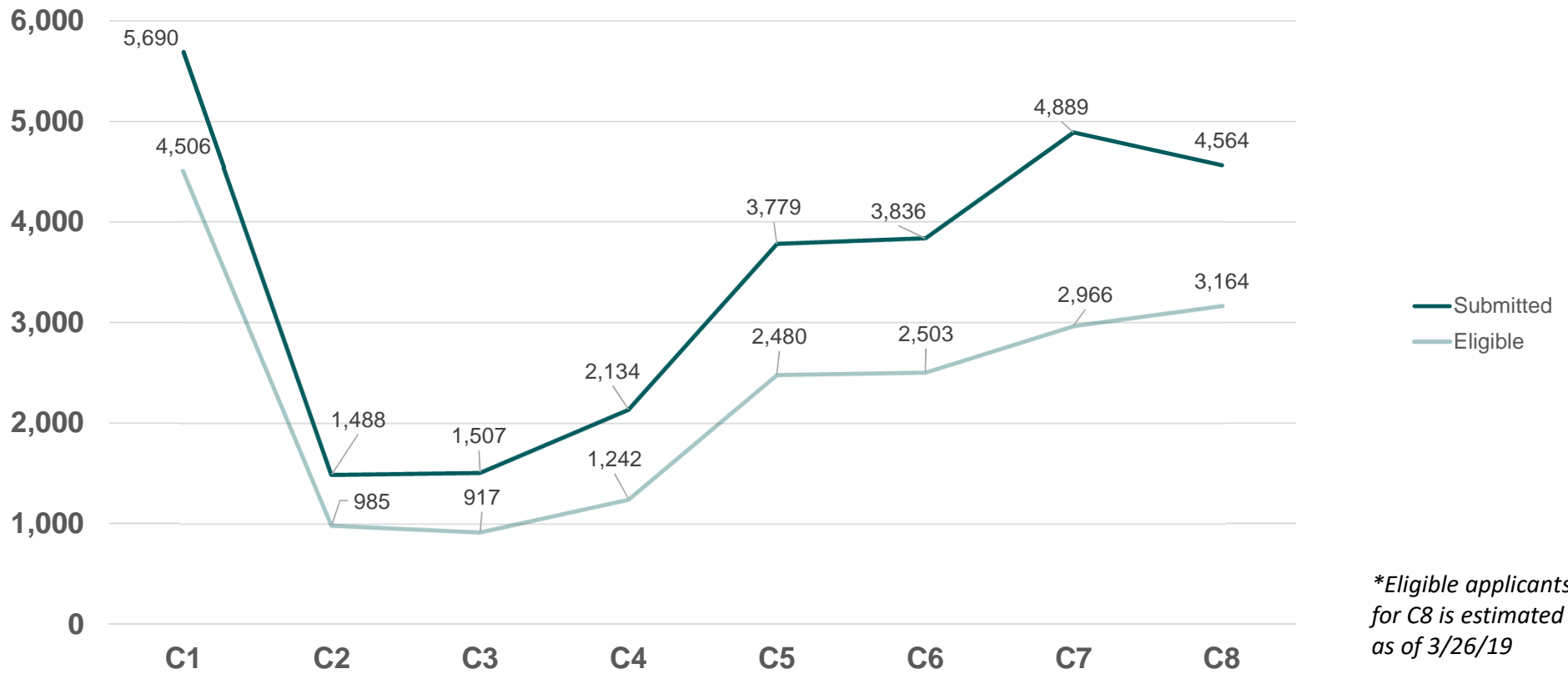


Cohort 8 Proposed Selection Model

Applicants Over Time

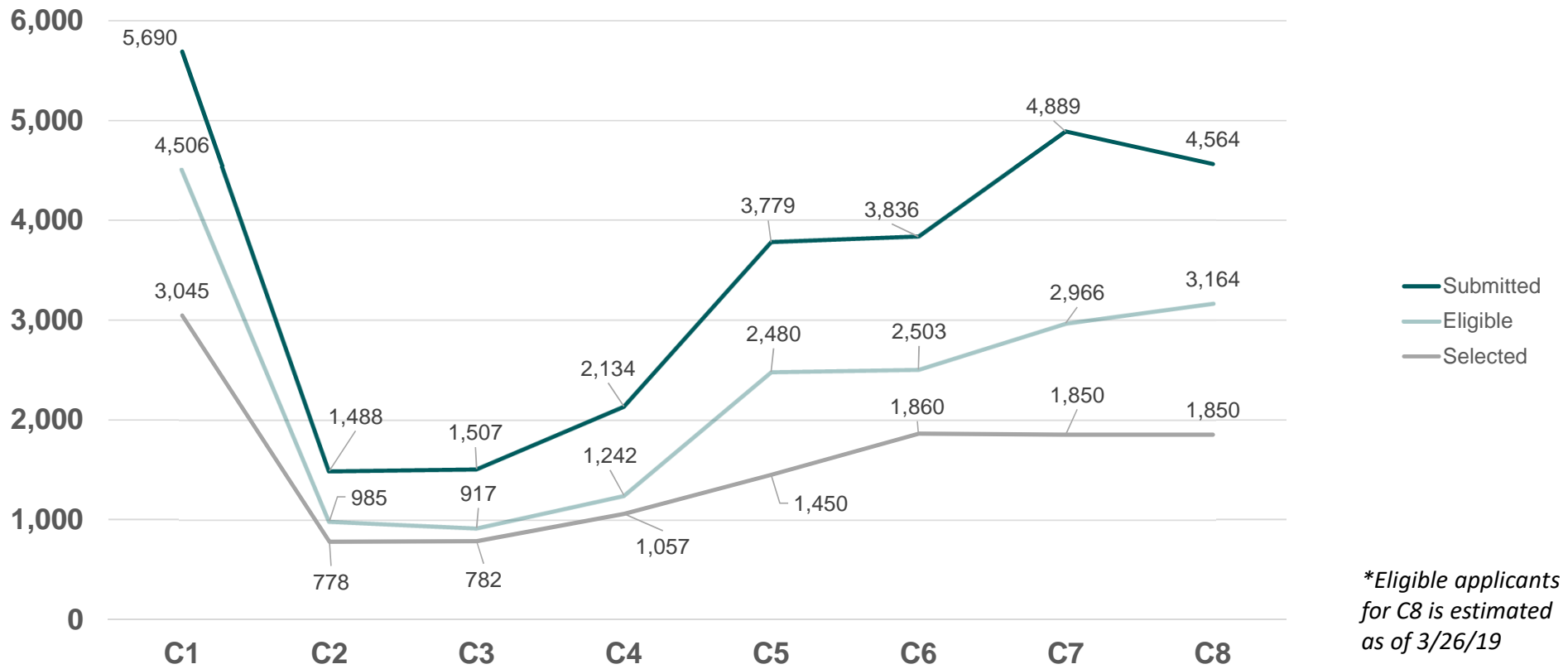


Applicants Over Time



**Eligible applicants for C8 is estimated as of 3/26/19*

Applicants Over Time

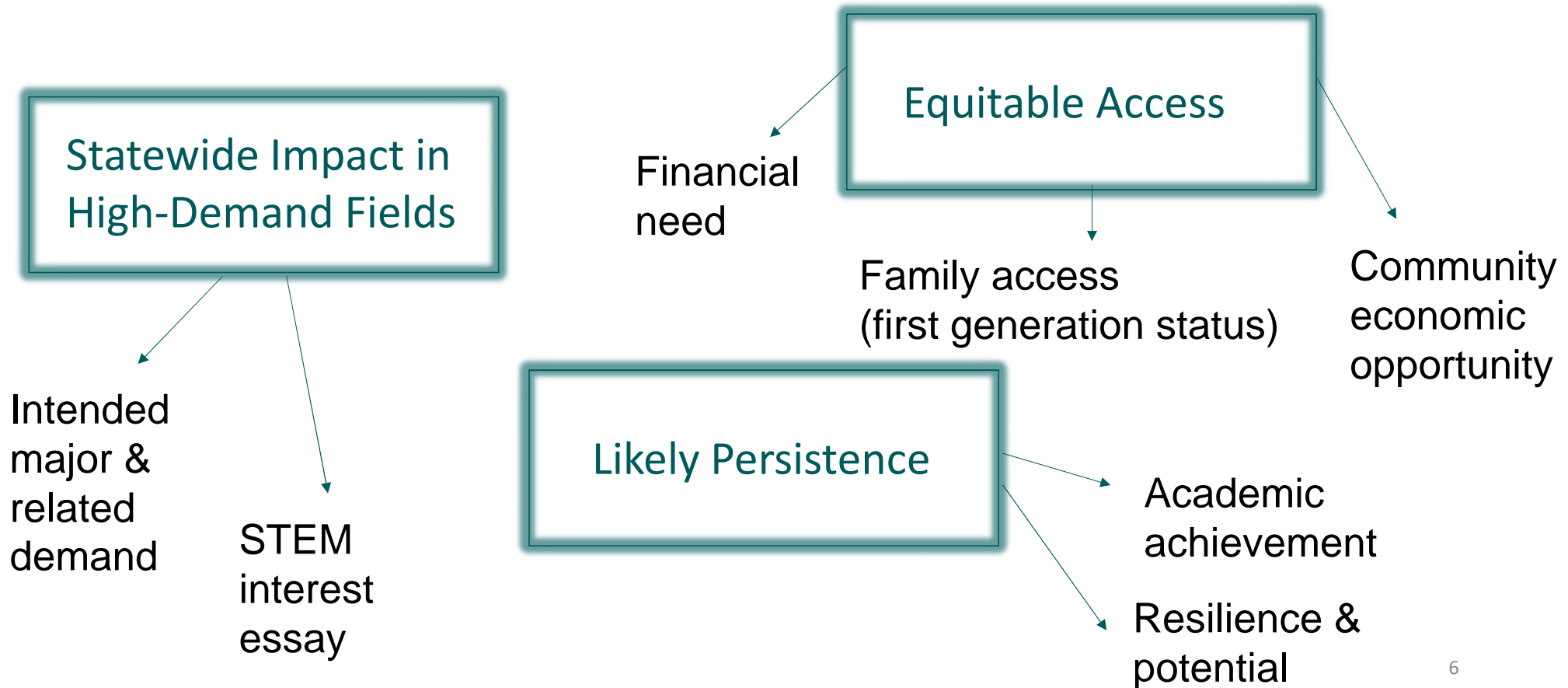


Selection:

Guiding Principles

- Select students who are **highly likely to persist** to college graduation
- Prioritize impact statewide in **specific, high-demand fields**
- Promote **equity of access to educational opportunity** for students who might not otherwise achieve a bachelor's

Guiding Principles & Measures



Baseline:

2018-19 Selection for C7

SELECTION FACTOR	Measures	Weights
Intended Major	Job openings 2020-26 by major	30%
Academic Achievement	GPA on 4.00 scale	25%
Financial Need	Family income decile	20%
STEM Interest	Normalized score on writing & content of required 300 word essay	5%
Community Economic Opportunity	Unemployment in home county	8%
Family Access	First generation status (yes/no)	12%
Resilience & Potential	Normalized score on writing & content of optional 300 word essay	+5 points

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SELECTION FACTOR	Baseline (C7 Selection)	Option A	Option B
Intended Major	30%	20%	10%
Academic Achievement	25%	20%	25%
Financial Need	20%	20%	20%
STEM Interest	5%	10%	12.5%
Community Economic Opportunity	8%	8%	8%
Family Access	12%	12%	12%
Resilience & Potential	+5 points	10%	12.5%

SELECTION FACTOR	Baseline (C7 Selection)	Option A	Option B
Intended Major	30%	20%	10%
Academic Achievement	25%	20%	25%
Financial Need	20%	20%	20%
STEM Interest (ESSAY)	5%	10%	12.5%
Community Economic Opportunity	8%	8%	8%
Family Access	12%	12%	12%
Resilience & Potential (ESSAY)	+5 points	10%	12.5%

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Essays have been difficult to incorporate into selection.

- **Reworked questions & rubrics for clarity & content**, addressing equity concerns & incorporating feedback from last year's reviewers
- **Launched an external essay read campaign** (116 volunteers)
- **Proposed within Options A& B:**
 - **Increase weight** assigned to both essays

Relying on intended major may be problematic as college students change their majors over time.

- **Reworked Essay 1 question & rubric** to enhance understanding of applicants' demonstrated interest in indicated field
- **Proposed within Options A & B:**
 - **Adjust measure to award points by major subgroups** rather than individual majors
 - **Decrease weight** assigned to intended major
 - **Increase weight** for Essay 1

Academic potential may be understated by academic achievement (GPA) due to extenuating circumstances.

- **Reworked Essay 2 question & rubric** to enhance understanding of applicants' potential to succeed, regardless of past academic achievement
- **Required a response** from all applicants (not required in prior years)
- **Proposed within Options A & B:**
 - **Increase weight** assigned to Essay 2

Lack of granularity within certain measures undervalues meaningful differences between applicants.

- **Proposed within Options A & B:**

- **Rely on family income as a percent of maximum allowed for family size** rather than income decile
- **Provide partial first generation status points** when parents have only an associate's
- **Narrow local area economic indicator** from unemployment in home county to home zip code

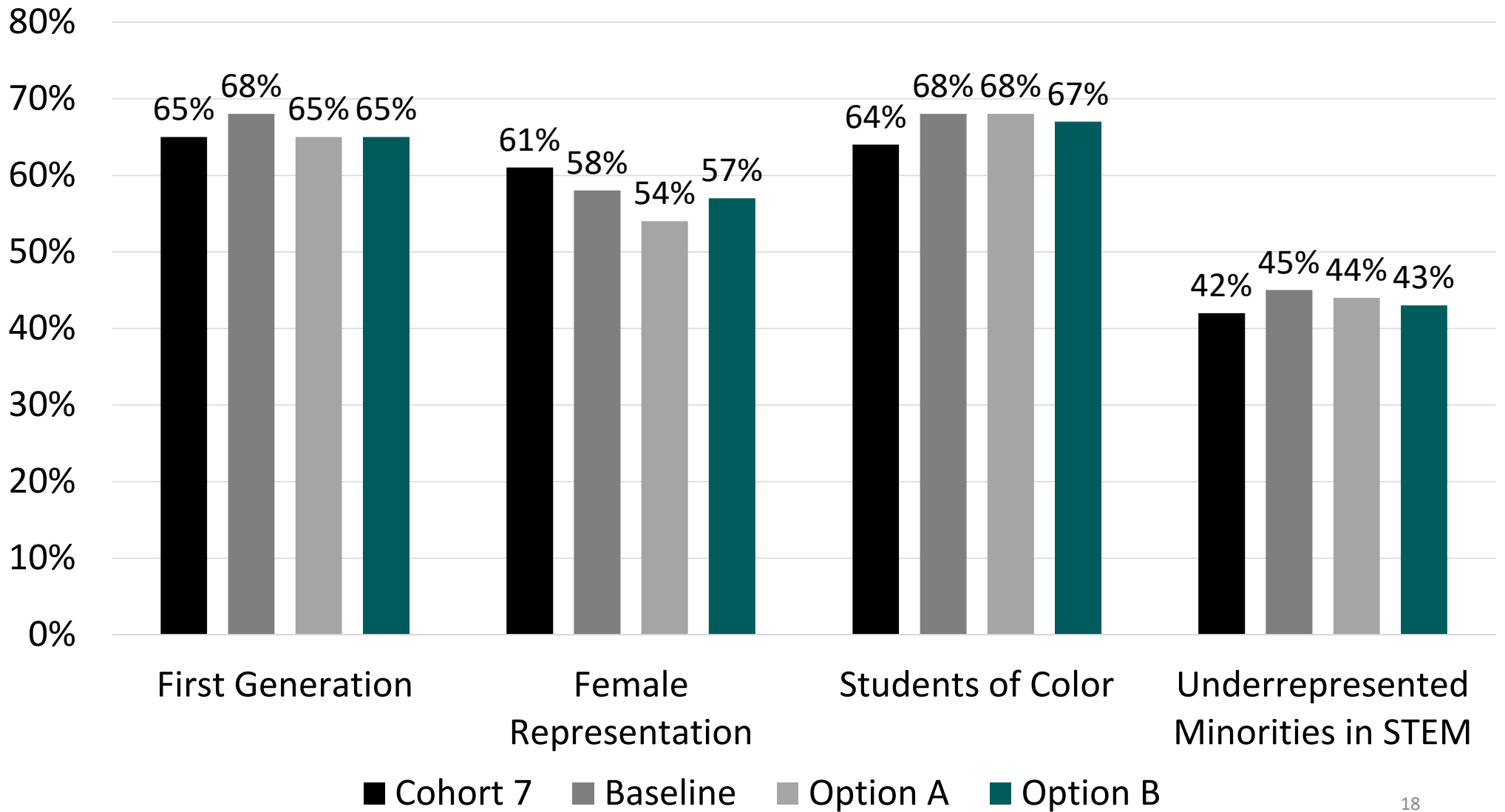
SELECTION FACTOR	Baseline Measures	Option A & B Measures
Intended Major	Job openings 2020-26 by major	Job openings 2020-26 by major subgroups
Academic Achievement	GPA on 4.00 scale	No change
Financial Need	Family income decile	Percent of maximum family income for family size
STEM Interest	Normalized score on writing & content of required 300 word essay	Normalized score on content only of required 500 word essay
Community Economic Opportunity	Unemployment in home county	Unemployment in home zip code
Family Access	First generation status (yes/no)	First generation status (yes/no); partial points awarded for those with an associate's degree only
Resilience & Potential	Normalized score on writing & content of optional 300 word essay	Normalized score on content only of required 300 word essay

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SELECTION FACTOR	Baseline (C7 Selection)	Option A	Option B
Intended Major	30%	20%	10%
Academic Achievement	25%	20%	25%
Financial Need	20%	20%	20%
STEM Interest	5%	10%	12.5%
Community Economic Opportunity	8%	8%	8%
Family Access	12%	12%	12%
Resilience & Potential	+5 points	10%	12.5%

PRELIMINARY OUTCOMES	Cohort 7	Baseline (C7 Selection)	Option A	Option B
Median Income	\$42,303	\$41,071	\$40,800	\$40,971
Median GPA	3.70	3.75	3.75	3.77
Counties Represented	37/39	37/39	38/39	38/39

PRELIMINARY OUTCOMES: Major	Job Openings	Baseline (C7 Selection)	Option A	Option B
Engineering	22%	20%	30%	25%
Computer Science	21%	17%	19%	17%
STEM Education	12%	3%	2%	2%
Biology	6%	19%	22%	22%
Nursing	6%	23%	15%	16%
Agriculture, Plant & Animal Sciences	5%	1%	2%	2%
All Other Eligible Major Subgroups	28%	17%	10%	16%



Call to Action: Approval of Selection

- **Baseline**

- **Option A**

- **Option B**

SELECTION FACTOR	Baseline (C7 Selection)	Option A	Option B
Intended Major	30%	20%	10%
Academic Achievement	25%	20%	25%
Financial Need	20%	20%	20%
STEM Interest	5%	10%	12.5%
Community Economic Opportunity	8%	8%	8%
Family Access	12%	12%	12%
Resilience & Potential	+5 points	10%	12.5%

Tab D

Program Update

PROGRAM UPDATE | APRIL 2019

SCHOLAR SUPPORT SERVICES

A. SCHOLAR AWARDS

Since January 2019, the Scholar Awards team has been *busy!*

From January-February 2019, the WSOS Application was open and accepting submissions for Cohort 8! By midnight on February 28th, an impressive 4,564 applications were submitted! Over half (52%) of applications were from first generation college students, 3 out of 5 identify as female and 61% identify as students of color. We are especially excited to share the careful revision of the essay section of the application which included thoughtful changes to our essay questions and rubric. For the first time ever, we launched an external review campaign where we had 116 community volunteers – including WSOS alumni, industry partners and community members – review and score nearly 10,000 essays to help us select the very best recipients for the next cohort.

We are also on our way to launching the expansion of HB 1452 with the new Career & Technical Scholarship. The application for the first cohort will open in May 2019. With rolling admissions during the 2019-20 academic year, we will welcome 550 Scholars aiming to pursue associate's, certificates and apprenticeships in 65 different high-demand areas of study at the 34 community and technical colleges across the state. Scholars will receive programming supports to be designed in partnership with the community and technical colleges.

Finally, the Awards team welcomed a new staff member, Cristal Rangel Peña. As an Awards Coordinator, Cristal (a WSOS Alum and Public Health graduate) will provide critical support and service to WSOS Scholars on all awarding matters.

B. SCHOLAR SUCCESS AND PLACEMENT

Our Scholar Advisors have also been working around the clock to support current Scholars successfully navigate college and launch their careers!

The Scholar Success team is continuing to support 145 Scholar Leads in the following activities: contacting and reporting mentee contacts and reminding mentees ready for their increase to submit a draft resume by May 1. All the Scholar Leads work for the 2018-2019 academic year which ends on May 1. We also



OPPORTUNITY IN ACTION
ASK ME ANYTHING SESSION WITH

Brad Smith
President at Microsoft and
WSOS Board Chair

JOIN US VIA YOUTUBE LIVE STREAM
WEDNESDAY, APRIL 10, 2019 AT 2:15 PM

have our next “Ask Me Anything” scheduled for April 10 with Brad Smith.

To learn more about the challenges of being a Scholar Lead with remote mentees, we hosted a Zoom session to better understand their challenges. We also hosted a Zoom session with the WSU School of Nursing for pre-nursing majors to better understand the path to being admitted into a nursing major.

The next activities for the Scholar Success team include hiring a new Scholar Success Advisor, recruiting and successfully hiring 225 new Leads for the 2019-2020 academic year and refining the Scholar Lead training program into an on-line training.

We are also continuing to scale Scholar participation in near-peer and industry mentoring services. In 2018-19, nearly 1,900 first- and second-year Scholars were paired with a near-peer mentor, a Scholar Lead, who helped guide them to social and academic success. The 145 Scholar Leads welcomed new Scholars to campus with personalized calls, texts and visits and supported Scholars in navigating on-campus resources.

Also, during this quarter, third- and fourth-year Scholars were offered multiple programs and supports to build their career-launching resources and skills. The cornerstone of this work is the many mentors who now engage with these third- and fourth-year Scholars through the WSOS **Skills that Shine** mentorship program (StS). This year, 209 unique pairs of Scholars and mentors are convening, using our custom matching application and online curriculum to heighten Scholars’ competitiveness for internships, jobs and shadows (e.g., they are working on resumes, cover letters and networking/interview skills). We greatly appreciate the participation of mentors from companies such as Microsoft, Boeing, Oracle, HNTB, and McKinstry. We are especially proud of the 19 WSOS alumni who opted in to serve as StS mentors this year and can imagine even more participation from graduates in the coming years! The program concludes this spring when mentors and mentees are invited to partake in networking/celebration events occurring in Seattle and Spokane. We enthusiastically invite board members to attend one or more of these events to meet these dynamic pairs and participate in the fun planned for the night! See the event details below:

- **Seattle:** Our annual StS Networking Event will take place on April 23 at 415 Westlake from 5 pm to 7:30 pm. We have invited all StS participants as well as Puget Sound-based seniors and industry partners (including donors, essay readers and alumni).
- **Spokane:** This year we are hosting an afternoon happy hour on April 18 in Spokane with StS participants and industry partners.

Through employer and school alliances, we are offering training and advising opportunities to Scholars focused on future health care careers. For example:

- In January, staff from the **School of Nursing of Washington State University** hosted a webinar on best tactics for new and transfer students applying to the School. Their sage

counsel was enjoyed by nearly 20 Scholars from across the state and the captured commentary will be used in future Placement advising modules.

- This year we have partnered with the **University of Washington School of Medicine** to better prepare Scholars to engage in the medical school application process and know what to expect as a medical student. The School's Community-focused Urban Scholars Program ([CUSP](#)) and the Targeted Rural Underserved Track ([TRUST](#)) is hosting two highly informative info sessions and helping Scholars get one-on-one advising by introducing interested Scholars to physicians and medical school students. We look forward to having their assistance procuring mentors for the 2019-20 StS program.
- **Kaiser Permanente Washington** physicians have kindly offered to host up to 30 Opportunity Scholars in observerships in their clinics this spring. Through these valuable placements, Scholars underrepresented in the health care field will get exposed to the working world of family practitioners and complete the observership component required in most medical school applications.

We invite board members' input as we build out three new strategies to help build Scholar readiness for post-graduation success. Check out our plans below and let us know if you would like to:

- Connect with Hannah Olson if you would like to encourage companies from across the state to play a role in the new **Internship Insider** program. As an Internship Insider partner, companies would offer one or more of a menu of engagement opportunities as a means of having early access to Opportunity Scholars - our state's best talent!
- Advise Theresa Britschgi as we implement (or craft) a tailored messaging system to help us consistently share out curated opportunities and reminders to Scholars based upon their grade, major and needs (e.g., [Radius](#)). More than email or text messaging, we envision this technology enabling us to relay the significant content we and our partners want Opportunity Scholars to absorb.
- Be a name dropper. Help us connect with career center contacts at campuses across this state. These valued staff are going to be pivotal partners as we deploy programming to our new Career and Technical Ed Scholars as well as the Opportunity Scholars who seek out day-to-day counsel on how to connect successfully with employers who visit their institutions.

CAPACITY BUILDING UPDATE

A. DEVELOPMENT

OpportunityTalks Breakfast

OpportunityTalks plans are well underway for Wednesday, November 6 at the Sheraton Seattle Grand Hotel. Adam Grant, New York Times bestselling author of *Originals*, *Give and Take*, and *Option B* (with Sheryl Sandberg), is the keynote speaker. Mariam Myanja will be our Scholar

speaker. Board member Miller Adams and Moz CEO Sarah Bird have accepted the role of co-chairs. Two additional asks are outstanding to round out the group of four.

The theme of this year's breakfast is "Unlock the Future" and will incorporate a five-year lookback, a video of where the last four years' Scholar speakers are now, and the rollout of this fall's Career and Technical Scholarship. Contributions to the 2019 Challenge Fund will support the 4:1 match of event donations. The corporate sponsorship campaign is underway.

Named Scholarships

The ten Kaiser Permanente Opportunity Scholars were selected earlier this year and join the other named scholarships including those of Rubens Family Foundation, Hanson Consulting Group and Battelle.

Grants and Other News

WSOS has been invited to apply for a \$32,500 Celgene Corporation grant as well as a \$10,000 RealNetworks Foundation grant.

Other Development initiatives include support of over 200 mentors in the WSOS Skills that Shine mentorship program; promotion and public speaking training through our Opportunity OutLoud program for Scholar Leads; promotion and engagement opportunities for the newly created Opportunity Alumni Network; and launch of a menu of options for companies to prioritize Opportunity Scholars when seeking interns – we call this being an Internship Insider.

B. EXTERNAL AFFAIRS

The External Affairs team recently wrapped up promotion of the 2019 baccalaureate application and moved into developing strategies for the scholarship acceptance and orientation process. Marketing and promotion for the new Career and Technical scholarship program is underway and will be rolled out with an updated brand and state-wide promotion tour in May. We are monitoring the Legislature's progress on bills impacting WSOS and will continue to advocate for our priorities in the final budget.

Media coverage

The 2018 legislative report and 2019 baccalaureate scholarship application were the subject of our earned media coverage over the last several months.

Coverage summary:

- Washington's most generous scholarship for STEM students has helped thousands. Could you be next? | Seattle Times, December 28
- Practical support helps students overcome college | Seattle Times, January 8

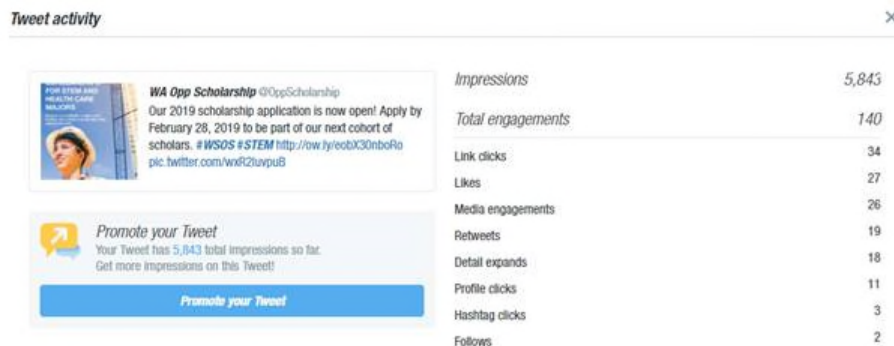
- Application window open for Washington State Opportunity Scholarship | K5 News, January 17
- GWATA TV Promotes WSOS to Wenatchee students | North Central Washington local TV station, February 18

Social media coverage

Overview: WSOS saw an increase in social engagement across our channels around the scholarship application period during January 3 – February 28, most notably through our Facebook channel.

Twitter

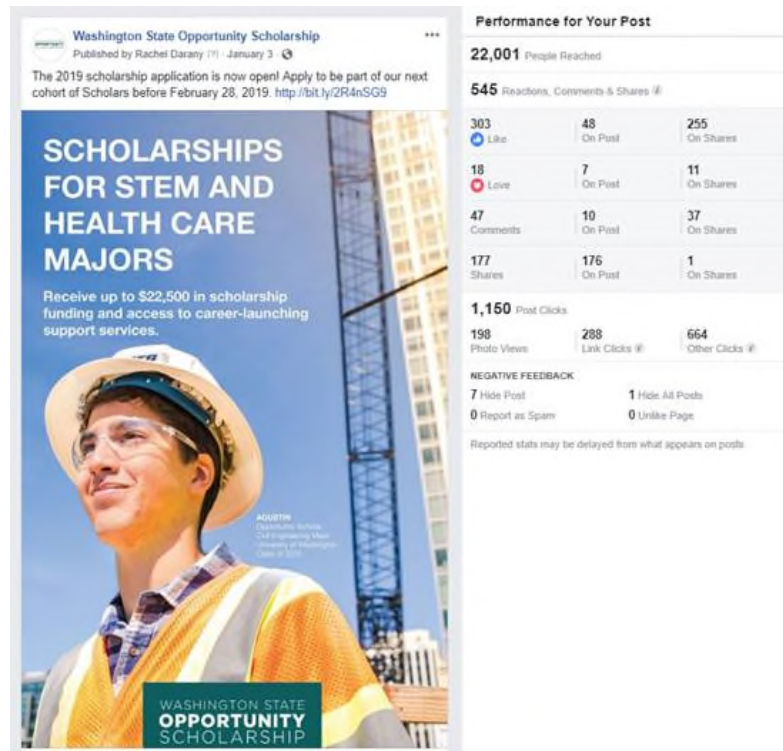
- 1,785 followers as of March 25, 2019 (+1.3%)
- Total impressions from December 25 – March 25: 70,800 (+18.9%)
- Through the promotion period, we earned 777 impressions per day. Our top five tweets from this period were related to application promotion including two articles from the *Seattle Times*.
- Top Tweet: January 3, 2019, announcing the scholarship application opening. This post had 5,843 impressions and 140 engagements.



Facebook

- 3,629 Page likes as of March 25, 2019 (+3.3%)
- Total impressions from December 19, 2018 – March 25, 2019: 81,285 (+185%)
 - This includes both organic results and the results of 3 paid ads during this period.
- Our most engaging post was related to the opening of our scholarship application. This post received an organic reach of 21,900 people. This is noteworthy since this type of reach is not usually accomplished without paid promotion.
- Top post: January 3, 2019, announcing the scholarship application opening. This post received an organic reach of 21,900 people. This is noteworthy since this type of reach is not usually accomplished without paid promotion.

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LinkedIn:

WSOS created a private LinkedIn group for Scholars to share career development advice and internship opportunities. The group currently has over 190 Scholars who have opted in to receive updates from the group.

Instagram: We are continuing to grow our Instagram channel to reach more Scholars and students. We currently have 334 followers and ran two paid ads during the promotion period.

- February 21 ad results: 211 impressions and over 50 likes.
- February 28 ad results: 1,757 impressions and over 400 likes.

Tab E

Finance and Program Administrator Update

Agenda

WSOS Investment & Finance Committee Meeting

March 26, 2019 2:00 pm - 3:00 pm

Washington STEM, 210 S Hudson Street, Seattle, WA 98134

or

Call-in: 800-582-3014 – PIN: 13389906

- | | | | |
|----|--------------------------------------|-----------------|----------|
| 1. | Call to Order & Introductions | Mack H. | (5 min) |
| 2. | Approval of December 5, 2018 Minutes | Mack H. | |
| 3. | Program Administrator Report | Washington STEM | (15 min) |
| 4. | WSIB Report | Chris P. | (15 min) |
| 5. | Program Update | Naria S.L. | (10 min) |
| 6. | Other Business | Mack H. | (5 min) |
| 7. | Executive Session | Mack H. | (10 min) |

2019 MEETINGS:

Wednesday, June 12th at 2-3 pm

Wednesday, September 18th at 2-3 pm

Wednesday, December 11th at 2-3 pm

Section 2

Approval of December 5, 2018 Minutes

FINANCE & INVESTMENT COMMITTEE MEETING MINUTES | WEDNESDAY, DECEMBER 5, 2018

Members present: Mack Hogans (Committee Chair), Manish Jain, and Elizabeth Tinkham; Beau Damon, Peter Harvey, Carolyn Kelly and DeShay McCluskey via teleconference

Other participants: Naria Santa Lucia (WSOS Executive Director), Karyl Gregory (WSOS), Caroline King (Washington STEM), Patrick Martinell (WSIB), Chris Phillips (WSIB) and Matt Poth (Washington STEM); Brad Faulhaber via teleconference

Mack Hogans called the meeting of the Washington State Opportunity Scholarship (WSOS) Finance and Investment Committee to order at 1:02 pm and conducted a roll call and self-introduction of all participants.

Approval of Minutes from August 30, 2018 Finance and Investment Committee

Carolyn Kelly made a motion to approve the minutes of the August 30, 2018 meeting. DeShay McCluskey seconded the motion and it carried unanimously.

Program Administrator Report

Matt Poth, Controller at Washington STEM, reported that the audit scope for 2018 will be similar to 2017. The Audit Engagement Letter has been signed between Washington STEM and Clark Nuber.

Poth further reported that House Bill 1452 for the Pathways Scholarship to fund high-demand STEM and health care professional/technical certificates and associate degrees should have a small number of Scholars in Fall 2019. House Bill 2143 expands WSOS to fund high-demand advanced, health care degrees for students who agree to complete a service obligation in a rural or underserved community after graduation. These Scholars will be awarded in 2020. For both bills, discussions will be held regarding opening new bank/investment accounts to properly track the donor intent, state match receipts, program projections, etc.

Poth reviewed details of the balance sheet, income statement and cash flow through 9/30/18. Poth reported that total cash and investments as of 9/30/18 totaled \$116.1M. Poth further reported WSOS is still waiting for WSAC to process \$2.8M in state match funds for private donations received when College Success Foundation served as program administrator. The Committee asked Poth to follow up with WSAC to request the final processing be completed by year end.

Poth reported that investment income was up a bit on projection for the first nine months of the year but there was a loss in October of about \$2M because of the volatility in the equities market.

WSIB Report

Chris Phillips, Director of Institutional Relations and Public Affairs, provided a performance review of WSOS funds invested through September 30, 2018. There is \$66M in total assets in the Scholarship Account and \$29.8M in the Endowment Account. State match funds for target and current allocations are

100% cash. Phillips reported on fund performance reflecting the third quarter 2018, a one year basis, three year basis and since inception. One year fixed income returns dipped to -0.54%.

The Committee asked Phillips to send November data before the January 10th board meeting.

Asset Allocation Study

Patrick Martinell, Assistant Senior Investment Officer at WSIB, reported that an asset allocation study was conducted. Martinell recommended to the Committee at their last meeting that the asset allocation for the Scholarship Account be changed to both improve the chances of meeting the cash flow forecast and also reduce the chances of a significant multi-year drawdown. WSIB proposed making a large shift for the Scholarship Account from 0% to 5% cash, from 40% to 70% fixed income, and from 60% to 25% equity. The Committee authorized additional study of WSIB's recommendation. In response to concerns about increasing credit exposure with the Fed raising rates, Martinell sent a follow up email noting that if the question is whether we should be in equity or fixed income in a rising rate environment, the last two months have helped make the case that equities are likely to suffer more than bonds when rates are rising.

Since the last meeting, the Committee decided to support the WSIB recommendation as is and it was approved by WSIB's Board on November 15th. The new allocation was fully implemented within two weeks. WSIB sold \$22.4M global equity and bought \$19.1M fixed income and \$3.3M cash. Fixed income is a bond fund, managed internally by WSIB which is currently 95% intermediate credit and 5% cash. The strategy is to utilize the credit underwriting skill of WSIB's internal fixed income team to buy and hold credit securities until maturity.

Hogans asked Martinell to send him a synopsis of his presentation.

Endowment Strategy

Santa Lucia reported that a subcommittee comprised of herself, Beau Damon, Mack Hogans and Brad Faulhaber met to discuss whether the Endowment Account is a true endowment. It was concluded that it is not a true one as defined by a perpetual pool of money. The vision to be perpetual was not envisioned at the time of inception of the Scholarship. The funds can be drawn on and the size of the Endowment will not sustain the Scholarship. Half of it is in cash with a conservative allocation and there is potential for donors to come in over time.

Santa Lucia reported that the creators of the Scholarship originally envisioned raising \$1B so the Endowment could have generated income for scholarships. Boeing donated their money to the Endowment Account while Microsoft donated their money to the Scholarship Account.

Hogans suggested that Brad Smith, WSOS Board Chair, speak to his Boeing counterparts regarding the intent of their donated funds with the option of keeping them as is or changing them. The subcommittee will report on Endowment strategy conversations at the next Committee meeting.

Carolyn Kelly requested background on the impact on WSOS of free college in Seattle with the \$600M levy over the next ten years. Santa Lucia reported that the City of Seattle has proposed the idea of granting municipal dollars to WSOS. This topic will be discussed at the next board meeting.

Other Business

Santa Lucia reported that the 2018 Legislative Report has been completed and suggested that committee members share it on their social media channels. Special highlights of our most recently awarded Scholars include 61% are women, 64% are students of color and 65% are first-generation college students. Nearly all WSOS graduates (94%) are employed or in graduate school; most WSOS graduates live in Washington state (81%); the average annual gross salary of WSOS graduates who are employed full-time is over \$62,000; one quarter of graduates are volunteering and/or are serving on a board.

Santa Lucia indicated that efforts will be made to promote strong media attention for the 2018 Legislative Report and to follow up with legislators.

Caroline King, Executive Director of Washington STEM, is recruiting for a new COO position to replace the CFO position when Cindy Gustafson retired earlier this year. The ideal candidate will have a strong financial background and will also assist with internal strategy, talent and technology. Committee members are invited to help recruit.

Hogans announced that this meeting is Peter Harvey's last committee meeting. Harvey has been serving on the Committee since the beginning and was instrumental in laying a strong foundation for what the Committee has accomplished to date. Hogans offered sincere thanks to Harvey for his dedicated, ongoing work on behalf of the Committee but also for the work of the organization. Harvey expressed his honor to serve and is thrilled with all that has been accomplished.

The meeting adjourned at 1:59 pm.

Respectfully submitted,
Karyl Gregory

Section 3

Program Administrator Report



Financial Statements

For the Years Ended December 31, 2018 and 2017

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Independent Auditor's Report

**To the Board of Directors
Washington STEM
Seattle, Washington**

We have audited the accompanying financial statements of Washington STEM (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, its activities and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The program-level information included in the statements of financial position, statements of activities and changes in net assets, and statements of cash flows on pages 3 through 6 and page 9, as well as the accompanying schedules of functional expenses by program shown on pages 24 through 26 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Certified Public Accountants

REPORT DATE

WASHINGTON STEM

Statement of Financial Position
December 31, 2018

	Washington STEM	WSOS	Interfund Eliminations	Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 3,819,852	\$ 1,856,309	\$ -	\$ 5,676,161
Accounts receivable	311,931	46,188		358,119
Interfund receivable	35,951		(35,951)	
Current portion of pledges receivable, net	1,845,000	9,543,424		11,388,424
State match receivable, net		2,960,105		2,960,105
Prepaid expenses	20,550	29,412		49,962
Short-term portion of investments		12,849,755		12,849,755
Total Current Assets	6,033,284	27,285,193	(35,951)	33,282,526
Long-term portion of pledges receivable, net	1,358,696			1,358,696
Long-term portion of investments		93,526,705		93,526,705
Furniture, fixtures and equipment, net	53,246	40,071		93,317
Total Assets	\$ 7,445,226	\$ 120,851,969	\$ (35,951)	\$ 128,261,244
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 47,482	\$ 47,926	\$ -	\$ 95,408
Grants payable	37,500			37,500
Interfund payable		35,951	(35,951)	
Accrued liabilities	275,103	160,307		435,410
Current portion of scholarship liabilities, net		14,162,074		14,162,074
Total Current Liabilities	360,085	14,406,258	(35,951)	14,730,392
Long-term portion of scholarship liabilities, net		17,040,961		17,040,961
Total Liabilities	360,085	31,447,219	(35,951)	31,771,353
Net Assets:				
Net assets without donor restrictions	2,141,204			2,141,204
Net assets with donor restrictions-				
Donor restricted funds (Note 7)	4,943,937	61,397,839		66,341,776
Endowment corpus (Note 8)		25,000,000		25,000,000
Endowment accumulated earnings (Note 8)		3,006,911		3,006,911
Total net assets with donor restrictions	4,943,937	89,404,750		94,348,687
Total Net Assets	7,085,141	89,404,750		96,489,891
Total Liabilities and Net Assets	\$ 7,445,226	\$ 120,851,969	\$ (35,951)	\$ 128,261,244

See accompanying notes.

WASHINGTON STEM

Statement of Financial Position
December 31, 2018

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WASHINGTON STEM

Statement of Financial Position
December 31, 2017

	Washington STEM	WSOS	Project Pilgrimage	Interfund Eliminations	Total
Assets					
Current Assets:					
Cash and cash equivalents	\$ 3,820,120	\$ 1,606,525	\$ 2,027,013	\$ -	\$ 7,453,658
Accounts receivable	215,778	61,008	3,017		279,803
Interfund receivable	9,580		9,371	(18,951)	
Current portion of pledges receivable, net	1,812,500	6,635,050	94,600		8,542,150
State match receivable, net		2,886,686			2,886,686
Prepaid expenses	45,948	42,027	2,725		90,700
Short-term portion of investments		21,091,267			21,091,267
Total Current Assets	5,903,926	32,322,563	2,136,726	(18,951)	40,344,264
Long-term portion of pledges receivable, net	3,110,681	7,438,262	251,068		10,800,011
Long-term portion of investments		95,150,319			95,150,319
Furniture, fixtures and equipment, net	70,549	20,344			90,893
Total Assets	\$ 9,085,156	\$ 134,931,488	\$ 2,387,794	\$ (18,951)	\$ 146,385,487
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 61,297	\$ 50,590	\$ 25,348	\$ -	\$ 137,235
Grants payable	48,000				48,000
Interfund payable	9,371	9,580		(18,951)	
Accrued liabilities	288,612	131,913	6,700		427,225
Current portion of scholarship liabilities		11,010,058			11,010,058
Total Current Liabilities	407,280	11,202,141	32,048	(18,951)	11,622,518
Long-term portion of scholarship liabilities		15,782,521			15,782,521
Total Liabilities	407,280	26,984,662	32,048	(18,951)	27,405,039
Net Assets:					
Net assets without donor restrictions	2,925,349				2,925,349
Net assets with donor restrictions-					
Donor restricted funds (Note 7)	5,752,527	78,834,513	2,355,746		86,942,786
Endowment corpus (Note 8)		25,000,000			25,000,000
Endowment accumulated earnings (Note 8)		4,112,313			4,112,313
Total net assets with donor restrictions	5,752,527	107,946,826	2,355,746		116,055,099
Total Net Assets	8,677,876	107,946,826	2,355,746		118,980,448
Total Liabilities and Net Assets	\$ 9,085,156	\$ 134,931,488	\$ 2,387,794	\$ (18,951)	\$ 146,385,487

See accompanying notes.

WASHINGTON STEM

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	Washington STEM	WSOS	Project Pilgrimage	Interfund Eliminations	Total
Activity Without Donor Restrictions					
Support and Revenue Without Donor Restrictions:					
Contributions	\$ 209,315	\$ -	\$ -	\$ -	\$ 209,315
Contract revenue	1,356,020			(483,489)	872,531
Interest income	19,659				19,659
Other income	15,199				15,199
Release from time restrictions	1,450,000				1,450,000
Release from purpose restrictions	1,532,605	21,740,534			23,273,139
Total Support and Revenue Without Donor Restrictions	4,582,798	21,740,534		(483,489)	25,839,843
Expenses:					
Program services	3,411,941	20,752,140	256,574	(1,500)	24,419,155
Management and general	1,103,146	556,463	21,961	(481,989)	1,199,581
Fundraising	851,856	431,931	1,442		1,285,229
Total Expenses	5,366,943	21,740,534	279,977	(483,489)	26,903,965
Change in Net Assets Without Donor Restrictions	(784,145)		(279,977)		(1,064,122)
Activity With Donor Restrictions					
Contributions with donor restrictions	2,174,015	851,912	169,890		3,195,817
State match revenue		5,376,123			5,376,123
Investment return, net		(3,029,577)			(3,029,577)
Release from time restrictions	(1,450,000)				(1,450,000)
Release from purpose restrictions	(1,532,605)	(21,740,534)			(23,273,139)
Change in Net Assets With Donor Restrictions	(808,590)	(18,542,076)	169,890		(19,180,776)
Change in Net Assets Before Transfer of the Project Pilgrimage Program	(1,592,735)	(18,542,076)	(110,087)		(20,244,898)
Transfer of the Project Pilgrimage program (Note 1)			(2,245,659)		(2,245,659)
Total Change in Net Assets	(1,592,735)	(18,542,076)	(2,355,746)		(22,490,557)
Net assets, beginning of year	8,677,876	107,946,826	2,355,746		118,980,448
Net Assets, End of Year	\$ 7,085,141	\$ 89,404,750	\$ -	\$ -	\$ 96,489,891
Summary Information:					
Total Revenue and Investment Return	\$ 3,774,208	\$ 3,198,458	\$ 169,890	\$ (483,489)	\$ 6,659,067

See accompanying notes.

WASHINGTON STEM

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017**

	Washington STEM	WSOS	Project Pilgrimage	Interfund Eliminations	Total
Activity Without Donor Restrictions					
Support and Revenue Without Donor Restrictions:					
Contributions without donor restrictions	\$ 351,718	\$ -	\$ -	\$ -	\$ 351,718
Contract revenue	1,001,741			(399,807)	601,934
Interest income	9,905				9,905
Other income	57,367				57,367
Release from time restrictions	2,485,579				2,485,579
Release from purpose restrictions	835,995	19,976,826	431,564		21,244,385
Total Support and Revenue Without Donor Restrictions	4,742,305	19,976,826	431,564	(399,807)	24,750,888
Expenses:					
Program services	3,956,255	18,885,586	395,564	(4,450)	23,232,955
Management and general	1,104,928	503,667	36,000	(395,357)	1,249,238
Fundraising	694,292	587,573			1,281,865
Total Expenses	5,755,475	19,976,826	431,564	(399,807)	25,764,058
Change in Net Assets Without Donor Restrictions	(1,013,170)				(1,013,170)
Activity With Donor Restrictions					
Contributions with donor restrictions	6,049,383	2,170,098	1,776,285		9,995,766
State match revenue		11,648,049			11,648,049
Investment return, net		8,019,986			8,019,986
Release from time restrictions	(2,485,579)				(2,485,579)
Release from purpose restrictions	(835,995)	(19,976,826)	(431,564)		(21,244,385)
Change in Net Assets With Donor Restrictions	2,727,809	1,861,307	1,344,721		5,933,837
Change in Net Assets Before Transfer of the WSOS Program to Washington STEM	1,714,639	1,861,307	1,344,721		4,920,667
Transfer of the WSOS program to Washington STEM		106,085,519			106,085,519
Total Change in Net Assets	1,714,639	107,946,826	1,344,721		111,006,186
Net assets, beginning of year	6,963,237		1,011,025		7,974,262
Net Assets, End of Year	\$ 8,677,876	\$ 107,946,826	\$ 2,355,746	\$ -	\$ 118,980,448
Summary Information:					
Total Revenue and Investment Return	\$ 7,470,114	\$ 21,838,133	\$ 1,776,285	\$ (399,807)	\$ 30,684,725

See accompanying notes.

WASHINGTON STEM

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Supporting Services			Total Supporting Services	Total
	Program Services	Management and General	Fundraising		
Scholarships	\$ 18,585,893	\$ -	\$ -	\$ -	\$ 18,585,893
Grants and investments	769,330				769,330
Salaries, taxes and benefits	3,057,214	749,560	922,893	1,672,453	4,729,667
Consultants and professional services	1,167,658	198,437	191,615	390,052	1,557,710
Convenings, conferences and travel	418,091	23,895	122,248	146,143	564,234
Operating costs	420,969	227,689	48,473	276,162	697,131
Total Expenses	\$ 24,419,155	\$ 1,199,581	\$ 1,285,229	\$ 2,484,810	\$ 26,903,965

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WASHINGTON STEM

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Supporting Services			Total Supporting Services	Total
	Program Services	Management and General	Fundraising		
Scholarships	\$ 16,786,651			\$ -	\$ 16,786,651
Grants and investments	1,295,640				1,295,640
Salaries, taxes and benefits	2,501,425	795,325	906,650	1,701,975	4,203,400
Consultants and professional services	1,236,838	223,579	68,791	292,370	1,529,208
Convenings, conferences and travel	690,338	24,221	121,855	146,076	836,414
Operating costs	722,063	206,113	184,569	390,682	1,112,745
Total Expenses	\$ 23,232,955	\$ 1,249,238	\$ 1,281,865	\$ 2,531,103	\$ 25,764,058

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WASHINGTON STEM

**Statement of Cash Flows
For the Year Ended December 31, 2018**

	Washington STEM	WSOS	Project Pilgrimage	Interfund Eliminations	Total
Cash Flows From Operating Activities:					
Change in net assets before transfer of the Project Pilgrimage program	\$ (1,592,735)	\$ (18,542,076)	\$ (110,087)	\$ -	\$ (20,244,898)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities, net of the transfer of the Project Pilgrimage program-					
Depreciation and amortization	26,851	8,647			35,498
Realized and unrealized losses on investments		3,532,800			3,532,800
Loss on sale of fixed assets	1,035				1,035
Change in assets and liabilities:					
Accounts receivable	(96,153)	14,820	3,017		(78,316)
Pledges receivable	1,719,485	4,529,888	345,668		6,595,041
State match receivable		(73,419)			(73,419)
Prepaid expenses	25,398	12,615	2,725		40,738
Accounts payable	(13,815)	(2,664)	(25,348)		(41,827)
Grants payable	(10,500)				(10,500)
Accrued liabilities	(13,509)	28,394	(6,700)		8,185
Interfund receivables/payables	(35,742)	26,371	9,371		
Scholarship liabilities		4,410,456			4,410,456
Net Cash Provided (Used) by Operating Activities	10,315	(6,054,168)	218,646		(5,825,207)
Cash Flows From Investing Activities:					
Purchase of investments		(53,828,148)			(53,828,148)
Sales of investments		60,160,474			60,160,474
Purchases of furniture, fixtures and equipment	(11,770)	(28,374)			(40,144)
Proceeds from sale of assets	1,187				1,187
Net Cash (Used) Provided by Investing Activities	(10,583)	6,303,952			6,293,369
Transfer of cash with Project Pilgrimage program			(2,245,659)		(2,245,659)
Net Change in Cash and Cash Equivalents	(268)	249,784	(2,027,013)		(1,777,497)
Cash and cash equivalents, beginning of year	3,820,120	1,606,525	2,027,013		7,453,658
Cash and Cash Equivalents, End of Year	\$ 3,819,852	\$ 1,856,309	\$ -	\$ -	\$ 5,676,161

See accompanying notes.

WASHINGTON STEM

**Statement of Cash Flows
For the Year Ended December 31, 2017**

	Washington STEM	WSOS	Project Pilgrimage	Interfund Eliminations	Total
Cash Flows From Operating Activities:					
Change in net assets before transfer of the WSOS program to Washington STEM	\$ 1,714,639	\$ 1,861,307	\$ 1,344,721	\$ -	\$ 4,920,667
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities-					
Depreciation and amortization	25,814	3,210			29,024
Realized and unrealized gains on investments		(7,737,543)			(7,737,543)
Change in assets and liabilities:					
Accounts receivable	(39,360)	(5,439)	(3,017)		(47,816)
Pledges receivable	(1,898,463)	16,061,373	526,554		14,689,464
State match receivable		8,761,363			8,761,363
Prepaid expenses	(11,146)	(14,092)	(2,725)		(27,963)
Accounts payable	(9,346)	(75,176)	25,348		(59,174)
Grants payable	(67,288)				(67,288)
Accrued liabilities	84,315	131,913	6,700		222,928
Interfund receivables/payables	(21,668)	9,580	12,088		
Scholarship liabilities		5,002,551			5,002,551
Net Cash (Used) Provided by Operating Activities	(222,503)	23,999,047	1,909,669		25,686,213
Cash Flows From Investing Activities:					
Purchase of investments		(42,252,993)			(42,252,993)
Sales of investments		8,023,403			8,023,403
Purchases of furniture, fixtures and equipment	(13,623)	(23,554)			(37,177)
Proceeds from sale of assets	4,922				4,922
Net Cash Used by Investing Activities	(8,701)	(34,253,144)			(34,261,845)
Transfer of cash with WSOS program to WA STEM		11,860,622			11,860,622
Net Change in Cash and Cash Equivalents	(231,204)	1,606,525	1,909,669		3,284,990
Cash and cash equivalents, beginning of year	4,051,324		117,344		4,168,668
Cash and Cash Equivalents, End of Year	\$ 3,820,120	\$ 1,606,525	\$ 2,027,013	\$ -	\$ 7,453,658

See accompanying notes.

WASHINGTON STEM

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 1 - Significant Accounting Policies

Organization - Washington STEM (WA STEM) is a nonprofit organization dedicated to advancing innovation, equity, and excellence in science, technology, engineering, and mathematics (STEM) education. WA STEM mobilizes education, business, and civic leaders to fulfill their shared responsibility to accelerate improvements in STEM instruction throughout the State of Washington and dramatically improve learning outcomes for all students.

As a nonprofit venture fund, WA STEM makes investments to test and validate scalable approaches for improving STEM teaching. WA STEM spurs and supports the delivery of effective real-world STEM learning opportunities to students in and out of school. WA STEM also identifies and generates knowledge, tools and resources to build capacity in the field and fuel advocacy efforts. All of its efforts are designed to increase student performance, college readiness and success, and the pursuit of STEM degrees and careers, including STEM teaching. Program services reflect the grants and investments made directly to tax-exempt organizations, as well as in-kind support provided, to support the generation, capture, sharing and application of promising practices to improve STEM teaching and learning at scale. This nonprofit venture model will dramatically expand the reach and impact of the Organization's strategy across the state and nation.

WSOS - Washington State Opportunity Scholarship (WSOS) is a public-private partnership established by the Washington State legislature in 2011 under the Revised Code of Washington (RCW) Title 28B.145, Opportunity Scholarship Act, to increase access to high-demand STEM and health care majors for low- and middle-income students through scholarships and academic support. The legislation describes in detail how the program is to be funded and administered. Effective February 1, 2017, the Board of WA STEM approved an interagency contract with the State of Washington's Washington Student Achievement Council (WSAC) and the WSOS Board of Trustees for professional services whereby WA STEM will serve as Program Administrator to the WSOS program. The contract term ends June 30, 2020 with options to extend to future periods if authorized by each party to the agreement.

Project Pilgrimage - In September 2016, WA STEM entered into an agreement to serve as a fiscal sponsor for Project Pilgrimage. Project Pilgrimage works to enhance equity through access to education. Revenue from this program consists of purpose restricted contributions. WA STEM served as fiscal sponsor for Project Pilgrimage until April 30, 2018 at which time the program administration was transferred to a different administrator. Management determined that this change did not qualify for treatment as a discontinued operation. As WA STEM was a fiscal sponsor of the Project Pilgrimage program, all balances and activity of Project Pilgrimage through April 30, 2018 are included in these financial statements.

The financial account balances and activities of WA STEM and its sponsored programs, collectively, are referred to throughout these financial statements as "the Organization."

Basis of Presentation - The financial statements of the Organization are presented on the accrual basis of accounting. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or passage of time.

WASHINGTON STEM

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 1 - Continued

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition -

Contributions - Cash contributions are recorded as revenue in the period received, in accordance with donor restrictions. Unconditional promises to give (pledges) are recorded at fair value in the period the promise is received, in accordance with donor-imposed restrictions. In-kind contributions, including donated goods and certain services, are recognized at their fair values on the date received or pledged. Program grants are recorded as purpose-restricted revenue with release of restrictions upon incurring related expenses.

Contract Revenue - For agency commitments to provide funds upon completion of project milestones or deliverables, revenue is recognized in the statements of activities and changes in net assets once the milestones or deliverables have been completed. For contracts based upon expenditure reimbursement, revenue is recognized as eligible costs are incurred. Contract revenue also includes fees paid by sponsored programs to WA STEM based on agreed upon terms in the contracts.

Other Revenue - Program or seminar registration fees that is recognized when the event occurs.

State Match - WSOS is a public-private partnership created by statute whereby private gifts are matched by contributions to the program from the State of Washington, subject to meeting certain conditions. For the year ended December 31, 2018, WSOS recognized approximately \$5.4 million in State match revenue, and collected approximately \$5.4 million in cash payments. For the period ended December 31, 2017, WSOS recognized approximately \$11.6 million in State match revenue, and collected approximately \$29.4 million in cash payments. Approximately \$3.2 million was receivable for each of the years ended December 31, 2018 and 2017 before deducting an allowance on uncollectible amounts of approximately \$0.3 million for each of the years ended December 31, 2018 and 2017.

Cash and Cash Equivalents - The Organization considers all highly liquid investments purchased with an original maturity of three months or less, other than those held in the Organization's investment portfolio, to be cash equivalents.

Pledges Receivable - Pledges receivable, unconditional promises to give, that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in revenue and support in the statements of activities and changes in net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no outstanding conditional pledges at December 31, 2018 and 2017.

WASHINGTON STEM

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 1 - Continued

Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable.

Investments and Investment Income - Investments generally consist of bonds, notes, treasury securities, money market funds, and commingled index funds. Returns on investment, including unrealized gains and losses, are recognized in the period earned. Investment return is reported net of related fees.

Furniture, Fixtures and Equipment - The Organization capitalizes furniture, fixtures and equipment with a value greater than \$1,000, at cost, or at fair value on the date received if donated. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from four to seven years. Leasehold improvements are depreciated over the shorter of their useful life or the lease term.

Scholarship Liabilities - Scholarship liabilities for the WSOS program are estimated using the number of students enrolled in the scholarship program and assumptions regarding retention rates, transfer rates and award amounts used in estimating future scholarship commitments. During the year ended December 31, 2018, the assumptions upon which the scholarship liabilities are based were refined to incorporate average spending year-by-year based on historical data, which management considers a more accurate measure. Previous assumptions used would have resulted in an estimated liability approximately \$1.3 million, or 4% higher. It is reasonably possible that the Organization's estimates used to calculate scholarship commitments will change in the near term. Scholarship liabilities due in subsequent years are reported at their present value, using risk-adjusted rates applicable to the year in which the liabilities were originally accrued. See Note 6.

Grant and Investment Expense - The Organization awards cash and in-kind grants and contributions in the form of professional services and expertise to tax-exempt organizations to accelerate and support STEM education throughout Washington State. Grant and investment expense is recognized on the statements of activities and changes in net assets as program expense at the time committed by the Organization. For in-kind grants, the Organization recognizes as expense the value of granted goods and services at their fair values at the time the grant was made. Grants payable over more than one year are recorded at their discounted present value using a risk-adjusted rate of return. Changes in discounts are recognized over the period of the promise as adjustments to grant expense.

The Organization also makes grants and investments that are conditional upon the recipient organization achieving certain milestones. Conditional grants and investments are recognized as expense in the period the conditions have been satisfied. Conditional grants and investments outstanding totaled \$1,125,000 and \$0 at December 31, 2018 and 2017.

Vulnerability From Certain Concentrations - Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents and investments held at financial institutions exceeded federally insured limits at times during the years ended December 31, 2018 and 2017, respectively.

For the Organization as a whole, during the year ended December 31, 2018, 47% of contribution revenue was from two donors and 96% of its pledges receivable were from three donors. For the year ended December 31, 2017, 58% of the Organization's revenue was from three donors and 93% of its pledges receivable were from three donors.

WASHINGTON STEM

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 1 - Continued

WA STEM - During the year ended December 31, 2018, 67% of the WA STEM contribution revenue was from two donors and 84% of its pledges receivable was from one donor. For the year ended December 31, 2017, 78% of the Organization's revenue was from two donors and 82% of its pledges receivable was from one donor.

WSOS - During the year ended December 31, 2018, 67% of the WA STEM contribution revenue was from two donors and 100% of the WSOS pledges receivable balance was from two donors. During the year ended December 31, 2017, 99% of the WSOS pledges receivable balance was from two donors.

Project Pilgrimage - During the year ended December 31, 2018, 29% of Project Pilgrimage contribution revenue was from two donors. During the year ended December 31, 2017, 70% of Project Pilgrimage contribution revenue was from two donors, and 80% of Project Pilgrimage pledges receivable were from two donors.

Federal Income Tax Status - The Internal Revenue Service has determined the Organization to be a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been made in these financial statements.

Methods Used for Allocation of Expenses Among Program and Support Functions - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include personnel, rent, travel and conferences, and information technology costs. Personnel costs are allocated based on a time and cost study of where efforts are made. Rent is allocated based off of this personnel cost time study. All other costs are based on the benefit received.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from such estimates.

New Accounting Pronouncement - For the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

Subsequent Events - The Organization has evaluated subsequent events through **REPORT DATE**, the date on which the financial statements were available to be issued.

WASHINGTON STEM

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 2 - Pledges Receivable

Pledges receivable were as follows at December 31:

	Washington STEM	WSOS	2018 Total	2017 Total
Pledges receivable expected in-				
Less than one year	\$ 1,845,000	\$ 9,543,424	\$ 11,388,424	\$ 8,542,150
One to five years	1,375,000		1,375,000	10,919,300
	3,220,000	9,543,424	12,763,424	19,461,450
Present value discount	(16,304)		(16,304)	(119,289)
Pledges Receivable	\$ 3,203,696	\$ 9,543,424	\$ 12,747,120	\$ 19,342,161

Pledges receivable with due dates extending beyond one year were discounted using discount rates based on risk adjusted rates of return between 0.83% and 3% at December 31, 2018. An allowance for uncollectible pledges was not considered necessary at December 31, 2018 and 2017.

From time to time, the Organization receives contributions from its board members. Contributions from WA STEM board members totaled approximately \$42,000 and \$15,000 for the years ended December 31, 2018 and 2017, respectively. Contributions from WSOS board members totaled approximately \$81,000 and \$50,000 for the years ended December 31, 2018 and 2017, respectively. Pledges outstanding from WA STEM board members totaled \$100,000 and \$200,000 at December 31, 2018 and 2017, respectively. Pledges outstanding from WSOS board members totaled approximately \$7,000,000 and \$10,000,000 at December 31, 2018 and 2017, respectively.

Note 3 - Investments - WSOS

Investments as presented in the statements of financial position consisted of the following at December 31:

	2018	2017
Cash and cash equivalents	\$ 16,736,693	\$ 29,622,194
Fixed income-		
US treasury securities	9,080,832	13,900,000
US government bonds		3,489,850
Corporate bonds	3,258,203	2,698,944
Commingled equity index funds	27,376,790	44,571,789
Commingled intermediate credit	49,923,942	21,958,809
Total Investments	\$ 106,376,460	\$ 116,241,586

WASHINGTON STEM

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 3 - Continued

The Organization Board and the WSOS Board approve the investment policies for WSOS investments, which were sourced from both private and public funds. These investment policies are guided by and are designed to comply with various State policies which govern the investment of State funds. All WSOS long-term investments are managed by the Washington State Investment Board (WSIB) as of December 31, 2018 and 2017. The investment allocation is reviewed periodically based on program spending forecasts and other considerations.

Investment return is classified as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 567,417	\$ 349,126
Realized and unrealized (losses) gains	(3,532,801)	7,737,543
Investment fees	<u>(64,193)</u>	<u>(66,683)</u>
Total Investment Return, Net	<u>\$ (3,029,577)</u>	<u>\$ 8,019,986</u>

Note 4 - Fair Value Measurements

Valuation Techniques - U.S. GAAP provides a consistent model for determining fair value measurements for financial assets and liabilities and identifies three levels of inputs that are available for measuring fair value. Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2018 or 2017.

Cash and Cash Equivalents - Valued at cost, which approximates fair value.

Fixed Income Securities, Bonds, and Notes - Fixed income securities are valued using bid valuations from similar instruments in actively quoted markets.

Investments Measured at NAV - Includes commingled investment funds with securities measured at net asset value by WSIB.

WASHINGTON STEM

Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 4 - Continued

Fair Values Measured on a Recurring Basis - Fair values of assets measured on a recurring basis were as follows:

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 16,736,693	\$ -	\$ -	\$ 16,736,693
Fixed income-				
US treasury securities	9,080,832			9,080,832
Corporate bonds and notes		3,258,203		3,258,203
Total Investments in the Fair Value Hierarchy	\$ 25,817,525	\$ 3,258,203	\$ -	29,075,728
Investments measured at NAV				77,300,732
Total Investments at December 31, 2018				\$ 106,376,460
	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 29,622,194	\$ -	\$ -	\$ 29,622,194
Fixed income-				
US treasury securities	13,900,000			13,900,000
US government bonds		3,489,850		3,489,850
Corporate bonds		2,698,944		2,698,944
Total Investments in the Fair Value Hierarchy	\$ 43,522,194	\$ 6,188,794	\$ -	49,710,988
Investments measured at NAV				66,530,598
Total Investments at December 31, 2017				\$ 116,241,586

In accordance with ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items in the statements of financial position.

The Organization's investments that are measured at their NAV per share practical expedient consist of commingled equity index funds, and commingled intermediate credit funds. There are no limitations on redemption amounts or frequency.

WASHINGTON STEM

Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 5 - Furniture, Fixtures and Equipment

Furniture, fixtures and equipment consisted of the following at December 31:

	Washington STEM	WSOS	2018 Total	2017 Total
Office equipment	\$ 117,804	\$ 32,395	\$ 150,199	\$ 118,092
Furniture and fixtures	16,967	19,504	36,471	31,261
Leasehold improvements	4,768		4,768	4,768
	139,539	51,899	191,438	154,121
Less accumulated depreciation	(86,293)	(11,828)	(98,121)	(63,228)
Furniture, Fixtures and Equipment, Net	\$ 53,246	\$ 40,071	\$ 93,317	\$ 90,893

Note 6 - Scholarship Commitments Liability - WSOS

The WSOS program awards scholarships to qualifying students who pursue four-year degrees in STEM and healthcare-oriented majors with at least one STEM class per year at various institutions of higher education in the state, beginning as early as freshman year and continuing through graduation, which may be in year five or six, subject to various restrictions. Scholarship commitments outstanding for this program are as follows at December 31, 2018:

Expected to be paid in-	
2019	\$ 14,162,074
2020 through 2023	<u>19,373,516</u>
Total scholarship commitments	33,535,590
Less discounts to present value (rates of 2 - 3%)	<u>(2,332,555)</u>
Scholarship Commitments, Net	<u>\$ 31,203,035</u>

WASHINGTON STEM

**Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017**

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	Washington STEM	WSOS	2018 Total	2017 Total
Subject to the Passage of Time or Expenditure for Specified Purpose:				
For periods after December 31, 2018	\$ 2,866,048	\$ 9,468,798	\$ 12,334,846	\$ 4,198,181
Purpose restricted	<u>2,077,889</u>	<u>51,929,041</u>	<u>54,006,930</u>	<u>82,744,605</u>
Total Subject to the Passage of Time or Expenditure for Specified Purpose	4,943,937	61,397,839	66,341,776	86,942,786
Endowment Funds:				
Original gifts (corpus)		25,000,000	25,000,000	25,000,000
Accumulated earnings		<u>3,006,911</u>	<u>3,006,911</u>	<u>4,112,313</u>
Total Endowment Funds		<u>28,006,911</u>	<u>28,006,911</u>	<u>29,112,313</u>
Total Net Assets With Donor Restrictions	<u>\$ 4,943,937</u>	<u>\$ 89,404,750</u>	<u>\$ 94,348,687</u>	<u>\$ 116,055,099</u>

Note 8 - WSOS Endowment

The Organization's endowment consists of one scholarship fund with donor restrictions for the WSOS program's endowment, earnings from which are to provide assistance to undergraduate students enrolled in baccalaureate institutions. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of the Organization has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of original gifts to the endowment as of the gift date, absent explicit donor stipulations to the contrary. As a result of this determination, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not maintained in perpetuity is subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

WASHINGTON STEM

**Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017**

Note 8 - Continued

Changes to the donor-restricted endowment fund were as follows for the years ended December 31:

	Endowment Corpus	Accumulated Earnings	Total With Donor Restrictions
Endowment Net Assets, January 1, 2017	\$ -	\$ -	\$ -
Transfer of WSOS to WA STEM	25,000,000	1,454,430	26,454,430
Endowment investment return-			
Interest and dividends		73,690	73,690
Realized and unrealized gains		2,584,193	2,584,193
Total endowment investment return		2,657,883	2,657,883
Endowment Net Assets, December 31, 2017	25,000,000	4,112,313	29,112,313
Endowment investment return-			
Interest and dividends		218,327	218,327
Realized and unrealized losses		(1,323,729)	(1,323,729)
Total endowment investment return		(1,105,402)	(1,105,402)
Endowment Net Assets, December 31, 2018	\$ 25,000,000	\$ 3,006,911	\$ 28,006,911

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2018 or 2017.

Return Objectives and Risk Parameters - The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, and guided by various state policies that govern investment of state funds, the endowment assets are invested in permissible funds to produce results that are measured against standard benchmarks while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5.5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

WASHINGTON STEM

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 8 - Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization, including the WSOS Board of Directors, has implemented a practice of deferring all expenditures from the endowment fund, including for scholarships, for the immediate future.

Note 9 - Office Space Agreements

In July 2010, the Organization entered into a commercial office license agreement for its office facilities with a related party. The original license agreement was for five years and has been subsequently amended several times. As of December 31, 2017, the agreement extends through September 30, 2018, plus two options to extend for one additional year each. The Organization notified the lessor of its intent to exercise the first of the two available extension options, which extends the term through September 30, 2019 and adds additional office space.

Effective February 1, 2017, the Organization leased office space for the WSOS program. Rent expense under the terms of the lease is approximately \$50,000 per year and will increase by 4% per year through the five-year term of the lease. These amounts are included in the total minimum payments shown below.

The total minimum payments due under each of these agreements for future years are as follows:

	Related Party Office License	WSOS Office Lease	Total
For the Year Ending December 31,			
2019	\$ 169,404	\$ 54,005	\$ 223,409
2020	124,501	56,050	180,551
2021		69,145	69,145
2022		5,860	5,860
Total Future Minimum License Payments	\$ 293,905	\$ 185,060	\$ 478,965

Facilities expense incurred under the related party office license agreement totaled \$160,548 and \$148,694 for the years ended December 31, 2018 and 2017, respectively. Facilities expense incurred under the WSOS leased office space totaled \$57,462 and \$50,407 for the years ended December 31, 2018 and 2017, respectively.

Note 10 - Retirement Plan

The Organization sponsors a 401(k) employee benefit retirement plan (the Plan) covering all full-time employees who have completed one month of service. Participating employees may make voluntary contributions, and the Organization makes matching contributions equal to 100% on the first 3% of an employee's elective salary deferral, and then 50% on the elective salary deferral in excess of 3% to a maximum of 5%, for a total possible match of 4%. These matching contributions vest immediately. The Organization may also elect to make discretionary contributions to participants pending board approval; however, no such contributions were made for the years ended December 31, 2018 or 2017.

WASHINGTON STEM

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Note 10 - Continued

The Organization's matching contributions to the Plan are as follows for the years ended December 31:

	<u>WA STEM</u>	<u>WSOS</u>	<u>2018 Total</u>	<u>2017 Total</u>
Total Matching Contributions	\$ 96,327	\$ 50,940	\$ 147,267	\$ 141,493

Note 11 - Liquidity and Availability of Financial Assets

WA STEM: Washington STEM regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds in a money market account. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, contracts receivable and pledges receivable. The Organization is supported by both time and purpose restricted contributions from donors.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of advancing innovation, policy and advocacy efforts, convening education, business and civic leaders as well as grants and investments undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Organization received a \$1,200,000 grant in 2018 that will help accelerate regional impacts in historically underrepresented communities. \$600,000 is internally budgeted for use in 2019 and the remaining \$600,000 is intended to be spent in 2020. As such, half of the funds are not available within the next 12 months. Furthermore, \$340,000 of total current pledge receivables are limited to use by the donor and are excluded from financial assets available to meet general expenditures within one year.

Including all financial assets, as of December 31, 2018, the Organization has a working capital surplus of approximately \$5,600,000 and average of cash on hand for 8 months.

WSOS: The WSOS program's working capital and cash flows are closely monitored throughout the year to fund scholarship disbursements, program enhancements and general operating expenditures while maximizing investment earnings of its available funds. WSOS has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, commercial paper facilities, state match receivable and pledges receivable.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, WSOS considers all expenditures related to scholarship disbursements, near-peer mentoring program enhancements, and the Opportunity Talks event as well as the services undertaken to support those activities to be general expenditures. In addition to financial assets currently available to meet general expenditures over the next 12 months, WSOS anticipates collecting additional revenue and anticipates the appropriate level of state appropriation to match the estimated new revenues in order to nominate another large cohort of Opportunity Scholars in 2019.

Including all financial assets, as of December 31, 2018, WSOS has a working capital surplus of approximately \$12,850,000 and average of cash on hand of 7.5 months.

WASHINGTON STEM

Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 11 - Continued

Financial assets available for general expenditure within one year of December 31, 2018 consists of the following:

	<u>WA STEM</u>	<u>WSOS</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,819,852	\$ 1,856,309	\$ 5,676,161
Accounts receivable	311,931	46,188	358,119
State match receivable, net		2,960,105	2,960,105
Interfund receivable	35,951		35,951
Current portion of pledge receivables, net	1,845,000	9,543,424	11,388,424
Short-term portion of investments		12,849,755	12,849,755
Less: Cash limited as to use	(600,000)		(600,000)
Less: Pledges receivable limited as to use	<u>(340,000)</u>		<u>(340,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 5,072,734</u>	<u>\$ 27,255,781</u>	<u>\$ 32,328,515</u>

SUPPLEMENTARY INFORMATION

DRAFT

WASHINGTON STEM

Schedule of Functional Expenses - WA STEM Program
For the Year Ended December 31, 2018

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
Grants and investments	\$ 769,330	\$ -	\$ -	\$ -	\$ 769,330
Salaries, taxes and benefits	1,622,086	705,608	631,626	1,337,234	2,959,320
Consultants and professional services	607,117	183,464	148,163	331,627	938,744
Convenings, conferences and travel	209,905	13,002	18,696	31,698	241,603
Operating costs	203,503	201,072	53,371	254,443	457,946
Total expenses for WA STEM, excluding WSOS and Project Pilgrimage Programs	3,411,941	1,103,146	851,856	1,955,002	5,366,943
Less costs incurred under fiscal sponsor agreements	(1,500)	(481,989)		(481,989)	(483,489)
Total Expenses for WA STEM, Excluding: WSOS and Project Pilgrimage Programs, Net of Costs Incurred Under Fiscal Sponsor Agreements	<u>\$ 3,410,441</u>	<u>\$ 621,157</u>	<u>\$ 851,856</u>	<u>\$ 1,473,013</u>	<u>\$ 4,883,454</u>

See independent auditor's report.

WASHINGTON STEM

Schedule of Functional Expenses - Washington State Opportunity Scholarship Program
For the Year Ended December 31, 2018

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Scholarships	\$ 18,585,893	\$ -	\$ -	\$ -	\$ 18,585,893
Salaries, taxes and benefits	1,435,128	43,952	291,267	335,219	1,770,347
Consultants and professional services	456,400	475,614	42,399	518,013	974,413
Convenings, conferences and travel	69,473	10,893	103,552	114,445	183,918
Operating costs	205,246	26,004	(5,287)	20,717	225,963
Total Expenses for WSOS Program	\$ 20,752,140	\$ 556,463	\$ 431,931	\$ 988,394	\$ 21,740,534

DRAFT

WASHINGTON STEM

Schedule of Functional Expenses - Project Pilgrimage Program
For the Year Ended December 31, 2018

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
Consultants and professional services	\$ 104,141	\$ 21,348	\$ 1,053	\$ 22,401	\$ 126,542
Convenings, conferences and travel	138,713				138,713
Operating costs	13,720	613	389	1,002	14,722
Total Expenses for Project Pilgrimage Program	\$ 256,574	\$ 21,961	\$ 1,442	\$ 23,403	\$ 279,977

The Project Pilgrimage program transitioned to a different fiscal sponsor as of May 1, 2018.

DRAFT



Finance & Program Administrator Update December 31, 2018

WSOS Balance Sheet

Comparative Balance Sheets
December 31, 2018

	Comparison to Last Reported Period			Notes	Comparison to Same Period LFY		
	9/30/18	% Change	12/31/18		12/31/17	% Change	12/31/18
Assets							
Cash	4,919,677	-62%	1,856,309	1	1,606,525	16%	1,856,309
Investments	111,178,014	-4%	106,376,459	2	116,241,586	-8%	106,376,459
Accounts Receivable	63,270	-27%	46,188		61,008	-24%	46,188
Pledges and Grants Receivable, net	9,500,000	0%	9,543,424	3	14,073,312	-32%	9,543,424
State match receivable, net	6,110,986	-52%	2,960,105	4	2,886,686		2,960,105
Prepaid Expenses	109,498	-73%	29,412		42,027	-30%	29,412
Property and equipment, net	40,371	-1%	40,071		20,344	97%	40,071
Total Assets	131,921,816	-8%	120,851,968		134,931,488		120,851,968
Liabilities and Net Assets							
Accounts Payable	66,465	74%	115,868		60,170	93%	115,868
Payroll Related Liabilities	63,309	103%	128,314		131,913	-3%	128,314
Scholarship Commitments, net	41,531,784	-25%	31,203,035	5	26,792,579	16%	31,203,035
Total Liabilities	41,661,558	-25%	31,447,216		26,984,662	17%	31,447,216
Net Assets							
Temporarily Restricted Net Assets	65,260,258	-1%	64,404,751		82,946,826	-22%	64,404,751
Permanently Restricted Net Assets	25,000,000	0%	25,000,000		25,000,000	0%	25,000,000
Total Net Assets	90,260,258	-1%	89,404,751		107,946,826	-17%	89,404,751
Total Liabilities and Net Assets	131,921,816	-8%	120,851,968		134,931,488	-10%	120,851,968

WSOS Balance Sheet

Notes:

1. Decrease in cash QoQ largely due to Q4 scholarship disbursements of \$5.8M. Excess cash from WSAC match receipt of \$3.59M in October and matured fixed income investments reinvested.
2. Investments balance as of 12/31/18 includes WSIB Scholarship \$65.5M, WSIB Endowment \$28M and KeyBank Capital \$12.9M. Total investments lower QoQ due to funding of winter scholarship disbursements of \$5.8M. Q4 net investments sustained losses of \$5.4M.
3. Balance includes Rubens Family Foundation: \$7.026M, MSFT: \$2.5M, other individuals: \$17K.
4. WSAC matched \$3.59MM in October. The Q4 state match accrual of private receipts of \$436K was recorded in December. Remaining balance includes this and resubmission amount. Pam says she is still working on, not complete as of 3.5.19.
5. The decreases QoQ is a result of three main factors: 1) Q4 scholarship disbursements totaled \$5.8M, 2) Retention rates for Cohort 7 were updated to reflect actual retention for C1-C6 for year-end audit close and 3) Updated scholarship model to use actual historical payout rates by class from Cohorts 3-6. Will monitor impact of near-peer mentoring going forward.

WSOS Income Statement

Actual vs. Budget

Twelve Months Ending December 31, 2018

	Twelve Months Ended December 31, 2018			Notes	December 31, 2018
	Actual	Budget	Variance Fav (Unfav)		Annual Budget
Revenue					
Private	851,913	1,200,000	(348,087)	1	1,200,000
Public	5,376,123	-	5,376,123	2	-
Investment Income	(3,029,577)	2,760,000	(5,789,577)	3	2,760,000
Total Revenue	3,198,459	3,960,000	(761,541)		3,960,000
Program Expense					
Salaries and Benefits	1,770,347	1,922,266	151,919	4	1,922,266
Professional Fees - Program Admin fees	461,989	418,788	(43,201)		418,788
Professional Fees - Contractors & Lobbying	512,423	190,700	(321,723)	5	190,700
Conferences, Conventions & Meetings	183,919	286,858	102,939		286,858
Operating Expenses	225,963	263,029	37,066	6	263,029
	3,154,641	3,081,641	(73,000)		3,081,641
Income (Loss) before Scholarship Exp	43,818	878,359	(834,541)		878,359
Scholarship Expense	18,585,893	24,071,050	5,485,157	7	24,071,050
Net Income (Loss)	(18,542,075)	(23,192,691)	4,650,616		(23,192,691)

WSOS Income Statement

Notes:

1. Revenue Private: Q4 2018 includes Kaiser Permanente: \$122.5K, Arcora Foundation: \$60K (Pathways), B. Smith: \$25K, Cecchetti: \$10K, Providence Health: \$10K, among others.
2. Revenue Public: Includes state match revenues of \$1.7M Q1, \$93K Q2, \$3.14M in Q3 and \$436K in Q4. State Match revenues not budgeted.
3. Investment income: Actual YTD includes unrealized/realized losses of <\$3.5M>, interest & dividend income of \$567K and investment expense of <\$64K>.
4. Salaries and benefits: Over \$150K in savings on the year after paying out EE bonuses and accruing CEO bonus.
5. Professional Fees – Actual expense over budget in part due to near-peer mentoring (\$162K), acct/comms (\$79K), lobbying (\$36K) and I.T. (\$45K) related needs.
6. Operating Expenses – Actual expense \$20K over budget when excluding bad debt expense reversal from 2017. Printing costs primary driver.
7. Scholarship liability was adjusted in December based on historical retention rates for use in C7 and payout structure based on historical actuals. Also, active student count was updated per cohort based on current enrollment at year-end. Actual expense is net of scholarship refunds of \$694K.

WSOS Cash Flow

Cash Flow Summary

Inception-To-Date
December 31, 2018

	Inception - December 31, 2018			
	Scholarship	Endowment	Notes	Total
<u>CASH FLOW</u>				
Cash Inflow:				
Boeing	12,610,000	12,500,000		25,110,000
Microsoft	32,500,000	-		32,500,000
Other Private	30,694,839	-	1	30,694,839
State	72,636,616	12,500,000	2	85,136,616
Investment Income*	6,315,553	3,017,082	3	9,332,635
Total Cash Inflows	154,757,008	28,017,082		182,774,090
Cash Outflow:				
Scholarships	(60,476,893)	-	4	(60,476,893)
Program Expenses	(14,058,618)	(5,812)		(14,064,430)
Total Cash Outflows	(74,535,511)	(5,812)		(74,541,323)
Net Cash Flow Inception-To-Date	80,221,497	28,011,270		108,232,767
<u>Composition of Net Cash Flow</u>				
KeyBank Checking Account	1,856,309	-	5	1,856,309
Investment Accounts at WSIB and KeyBank	78,365,188	28,011,270		106,376,458
Total	80,221,497	28,011,270		108,232,767

* Includes unrealized gains and losses.

WSOS Cash Flow

Notes:

1. Cash Inflow: Other Private - \$431K received on cash basis in Q4, including Kaiser Permanente: \$122.5K, Arcora Foundation: \$60K and Brad Smith: \$25K.
2. State – Received \$3.59M from WSAC in October 2018.
3. Investment Income – Includes net unrealized gains from inception of \$2.4M (Scholarship: \$1.03M and Endowment: \$1.37M). YTD 2018 the total unrealized loss is <\$6.45M>.
4. Scholarship disbursements were \$14.87M during CY 2018 and scholarship refunds totaled \$694K.
5. WSOS Cash in KeyBank – \$3.59M in State Match funds received in October were subsequently invested in fixed income securities at KeyBank.

Section 4

WSIB Report



**Washington State
Investment Board**

**WSOS Investment and Finance Committee
Performance Review
March 26, 2019**



**Chris Phillips
Director of Institutional Relations**



WSOS Scholarship/Endowment Funds – Growth of Assets

December 31, 2018



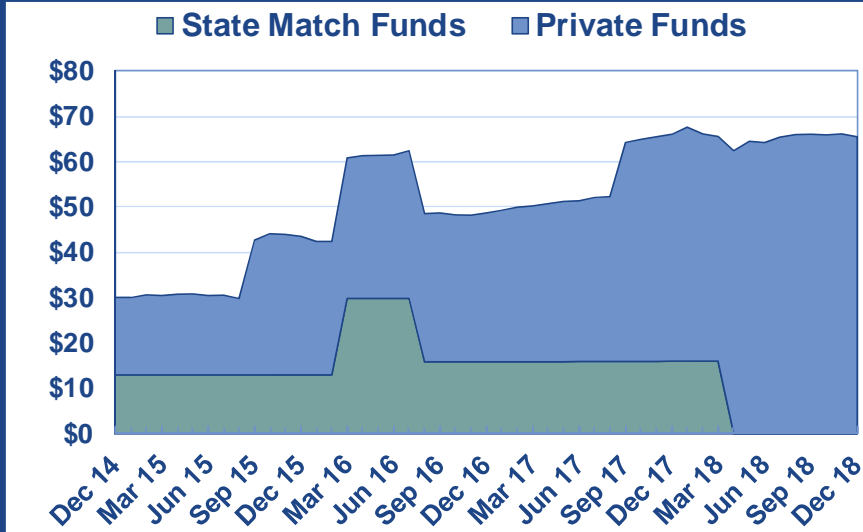
Scholarship Account

- ▣ Total assets: \$67.4 million
- ▣ 100% private funds

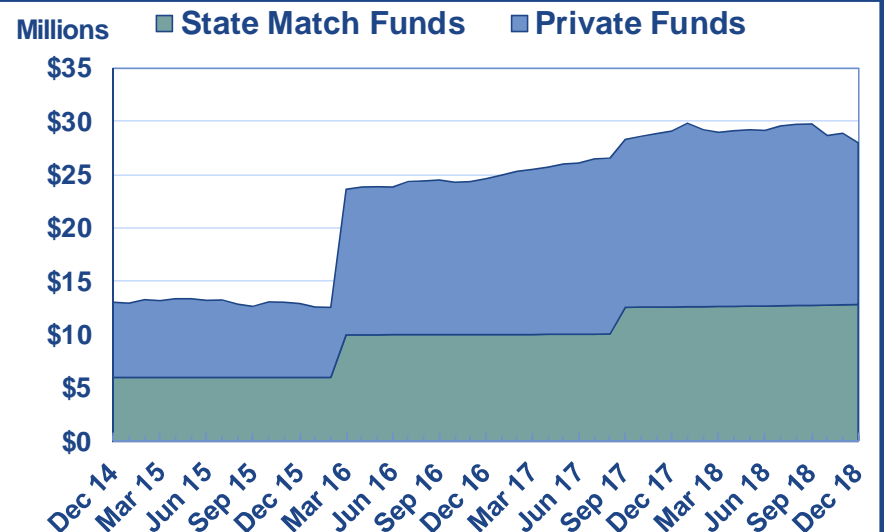
Endowment Account

- ▣ Total assets: \$29.1 million
- ▣ 56% private funds and 44% state match funds

Growth of Scholarship Account Assets



Growth of Endowment Account Assets



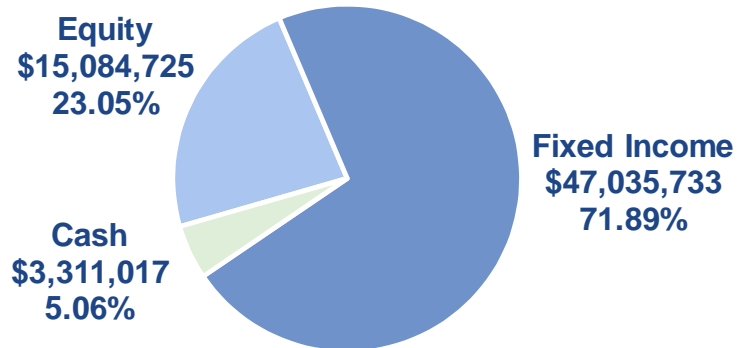


Market Values and Asset Allocation for Private Funds

December 31, 2018

Scholarship Account – Private Funds

Market Value \$65,431,474



Equity

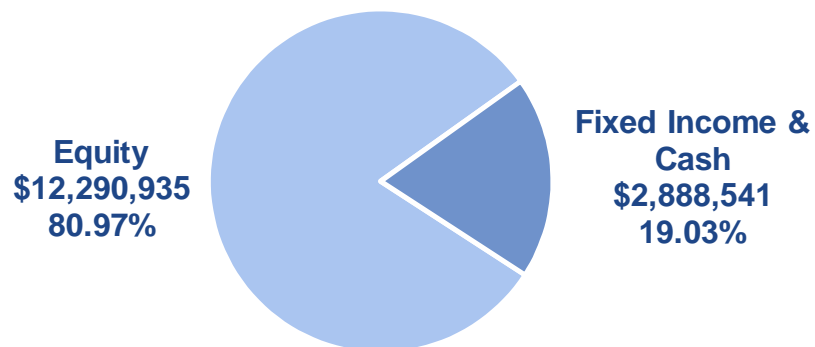
- Passive equity strategy managed by BlackRock
- Expected to closely track the MSCI All Country World Investable Market Index

Fixed Income

- Actively managed by WSIB staff
- Expected to meet or exceed the Barclays U.S. Intermediate Credit Index

Endowment Account – Private Funds

Market Value \$15,179,475





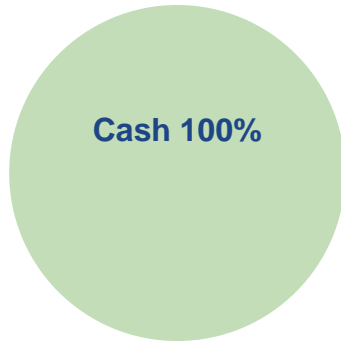
Market Values and Asset Allocation for State Match Funds

December 31, 2018

Asset Allocation for All State Match Funds

Scholarship Market Value \$83,960

Endowment Market Value \$12,831,795



State Match Funds

- ▣ Both target and current allocations are 100% cash
- ▣ Cash is invested in a money market fund managed by BlackRock

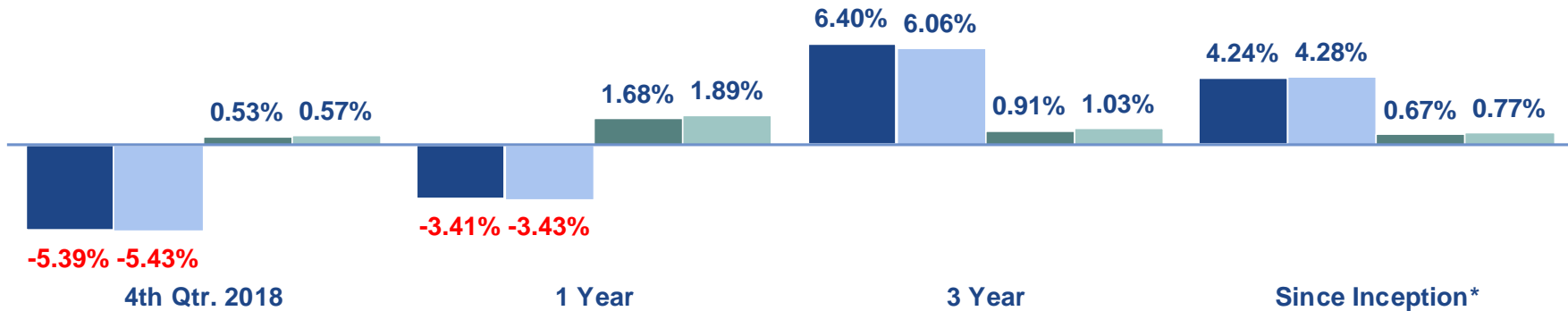


Fund Performance Updates

December 31, 2018

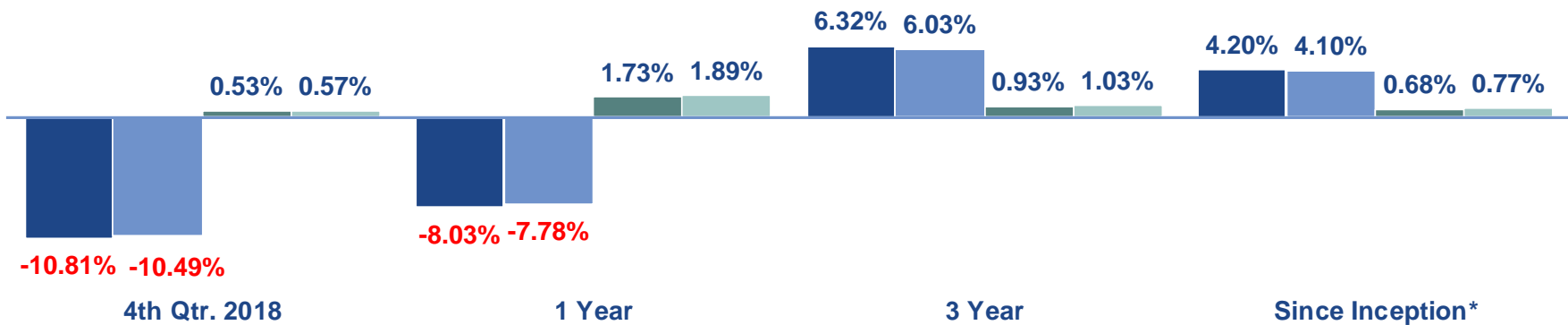
Private and State Match Scholarship

■ Private ■ Private Benchmark ■ State Match ■ State Match Benchmark



Private and State Match Endowment

■ Private ■ Private Benchmark ■ State Match ■ State Match Benchmark



*Scholarship Benchmarks: Private 25% MSCI ACWI IMI w/U.S. Gross & 70% Bloomberg Barclays Intermediate Credit & 5% 90 Day Tbill, State Match 90 Day Tbill
Endowment Benchmarks: Private 80% MSCI ACWI IMI w/U.S. Gross & 20% Bloomberg Barclays Intermediate Credit, State Match 90 Day T-bill

* Since Inception: Private 10/1/14, State Match 11/25/14

WSIB

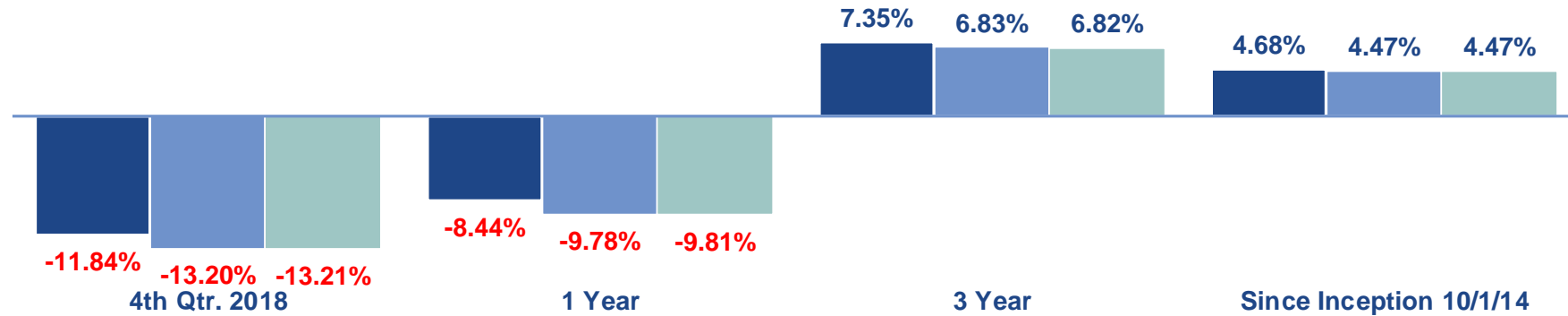


Fund Performance Updates

December 31, 2018

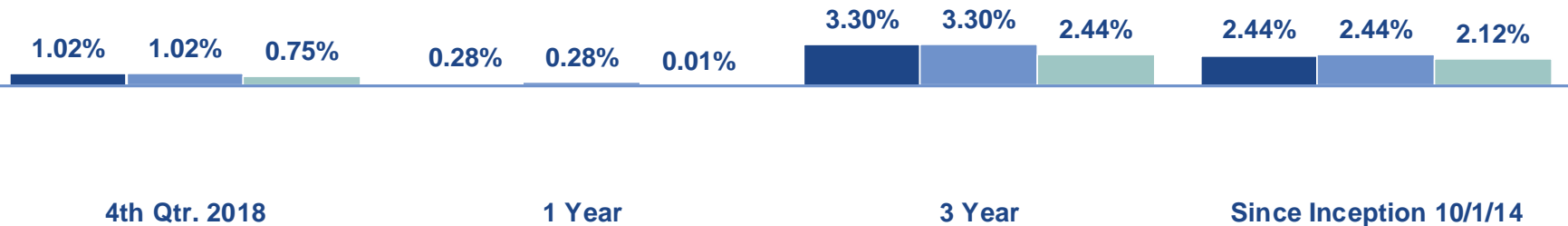
Equity Returns

■ Private Scholarship ■ Private Endowment ■ ACWI IMI w/U.S. Gross



Fixed Income Returns

■ Private Scholarship ■ Private Endowment ■ Bloomberg Barclays Intermediate Credit



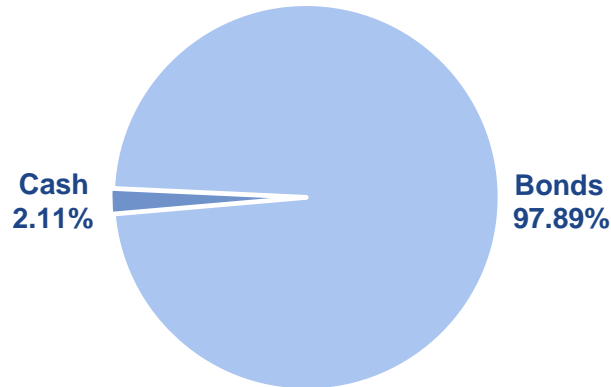


Appendix: Bond Fund Characteristics & Top 10 Issuers

December 31, 2018

Allocation

Market Value \$ 1,670,074,042



Characteristics

	Fund	Index
Average Maturity	4.7 years	4.7 years
Yield to Maturity	3.67%	3.74%
Modified Duration	4.11	4.08
Average Coupon	3.15%	3.43%
Number of Holdings	218	4,415

Top 10 Issuers

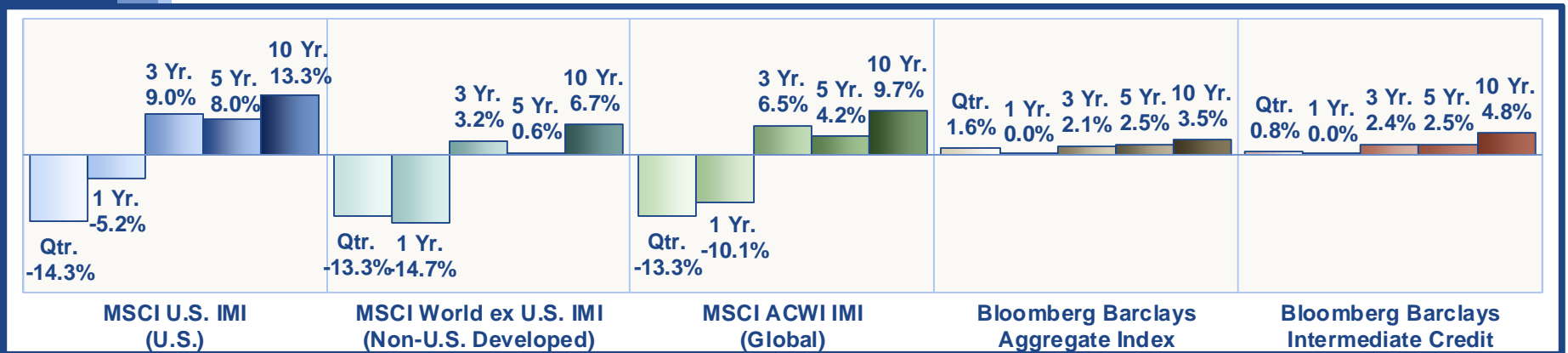
United States Treasury	3.18
Hutchison Whamp International Ltd.	0.95
Bangkok Bank Public Co. Ltd.	0.94
U.S. Bancorp Investments, Inc.	0.92
Intel Corporation	0.92
Japan Finance Corp.	0.92
BB&T Corp.	0.92
Chevron Corp.	0.91
Baidu	0.91
CCPIB Capital Inc.	0.91



Capital Markets at a Glance

December 31, 2018

- ❑ Investors' psyche shifted to uncertainty, causing a -7.8% December decline in the MSCI World Developed IMI index
 - ❑ The same global markets dropped -14% for the quarter and -9.4% for the year
- ❑ Volatility in 2018 – we saw 110 days with market swings of +/- 1%
 - ❑ A year earlier: a mere 10 days with such volatility
- ❑ December 19: interest rate hike #4 for 2018
 - ❑ The Fed's target range is 2.25%-2.50%, up a quarter-point
- ❑ Fixed income finished relatively strong
 - ❑ The 10-year Treasury rate ended the year at 2.69%, and touched a seven-year high of 3.24% in early November
- ❑ Commodities were hit hard – oil dropped -8.4% for December and a whopping -35% for the quarter
- ❑ Emerging markets fared better than developed markets but still suffered -7.4% for the fourth quarter





Contact Information



Web Site: <http://www.sib.wa.gov>



Address:

2100 Evergreen Park Drive SW

P.O. Box 40916

Olympia, WA 98504-0916

Phone Number:

(360) 956-4600