

**BOARD MEETING AGENDA**  
**MONDAY, OCTOBER 2, 2017 | 1:00-3:00 P.M.**  
**MICROSOFT CAMPUS, BUILDING 34**

**CONFERENCE CALL DIAL IN #: 425-706-3500 / PASSCODE: 610910174**

I. Meeting Called to Order		<b>Brad Smith, Chair</b>	1:00p
II. Approval of Minutes from June 26, 2017 Meeting	[Tab A]	<b>Brad Smith</b>	1:00-1:05p
III. WSOS Scholar Spotlights	[Tab B]	<b>Valerie Najera</b> <b>Carl Argabright</b>	1:05-1:15p
IV. WSOS Growth Options Presentation	[Tab E]*	<b>Naria K. Santa Lucia</b> WSOS Executive Director	1:15-1:55p
V. Discussion & Brainstorm		<b>All</b>	1:55-2:20p
VI. WSOS Activities Update	[Tab C]	<b>WSOS Staff</b>	2:20-2:35p
VII. Finance and Program Administrator Update	[Tab D]	<b>Mack Hogans,</b> F&I Committee Chair <b>Cindy Gustafson,</b> CFO, Washington STEM	2:35-2:55p
VIII. Next Steps & Closing		<b>Brad Smith</b>	2:55p

\*Growth Options Presentation & Discussion have been moved to accommodate a Board member's scheduling request

**Important Upcoming Dates**

Board Meetings (all meetings at Microsoft Campus)

- Monday, January 8, 2018 at 1:00 - 3:00p

Events

- GeekWire Summit | October 10-11, 2017 at Sheraton Seattle
- OpportunityTalks | Thursday, November 2, 2017 | 7:00-9:00a at Sheraton Seattle

# **Tab A**

**Minutes from the June 26, 2017 Board Meeting**

**WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD MEETING  
MONDAY, JUNE 26, 2017, 1-3 PM, MICROSOFT CAMPUS**

**MEETING MINUTES**

The Board of Directors of the Washington State Opportunity Scholarship (WSOS) met on June 26, 2017 at the Microsoft headquarters in Redmond, Washington.

Board members: Brad Smith (Board Chair), Miller Adams, Antony Chiang, Mack Hogans, Jane Park, Gary Rubens, Julie Sandler and Jim Sinegal present; Stan Deal and Mike Wilson by phone

Additional attendees: Naria Santa Lucia, Erin Ashley, Jane Broom, Klondy Canales, Meg Chambers, Jennifer Dechaine, Perry Fizzano, Karyl Gregory, Cindy Gustafson, Caroline King, Jessica Monger, Megan Nelson, Eve Riskin, Dave Stolier and Sam Whiting present; Terrie Ashby-Scott, John Bowden, Jenna Magnotti, Joanna Moznette and Keith Swenson by phone

**Meeting Called to Order**

Having a quorum of the Board, Brad Smith, Board Chair of WSOS, welcomed everyone and called the Board meeting to order at 1:01 pm.

Mack Hogans moved that the minutes of the April 13, 2017 meeting be approved. Miller Adams seconded the motion. The motion carried unanimously.

**New Washington STEM CEO: Vision for the Future**

The WSOS Board welcomed Caroline King, the new Washington STEM CEO. Ms. King reported that the vision of Washington STEM remains unchanged: every child has the opportunity to develop the roadmap for success with a STEM education starting with early learning through post-secondary, emphasizing high impact efforts. Ms. King further reported that Washington STEM has ten community-based networks throughout the state. Ms. King expressed great excitement over the partnership with WSOS and is looking forward to more synergy and collaboration together.

**WSOS Opportunity Expansion Fund Grant: Grantee Update**

Naria Santa Lucia presented the three grantees of the Opportunity Expansion Fund: the UW STARS Program represented by Eve Riskin, CWU UTeach Program represented by Jennifer Dechaine, and WWU's program represented by Perry Fizzano. Each representative presented an overview of their unique program. All three reported they are focusing on the sustainability of their work beyond the grant term.

**Post-Graduation Survey Presentation**

Megan Nelson, Director of External Affairs, presented the Post-Graduation Survey for 2016 Scholar graduates.

During the discussion, Hogans noted that 16% of our Scholars are moving out of state for jobs. Santa Lucia noted that our Scholar graduates are in high demand in other states plus many companies have offices around the world.

A communications plan is in place to get the best parts of the Post-Graduation Survey out to legislators and included in the 2017 Legislative Report.

### **WSOS Activities Update**

Erin Ashley reported on plans for this year's OpportunityTalks breakfast on Thursday, November 2<sup>nd</sup>. Ashley reported that we plan to have more attendees and table hosts this year. Half the table hosts have already committed to serve. Ashley further reported that \$80,000 has already been pledged in sponsorships. Ashley has had the first run meeting with our Scholar speaker.

Santa Lucia reported that 1860 Scholars were selected for the scholarship and 1782 accepted it – our largest cohort ever. The difference in the number of students is because many chose to attend a college out of state. The scholarship renewal deadline is July 3<sup>rd</sup>.

Santa Lucia further reported that SHB 1452 would expand WSOS for professional/technical degree programs and SHB 2143 would allow WSOS to additionally fund students pursuing advanced healthcare degrees with a service obligation (underrepresented urban and rural areas). Both bills remain alive in the Senate.

In addition to the bills, the substantive portions of SHB 1452 and 2143 are also included in the budget as a budget proviso. Should the WSOS bills stall in the Senate, the proviso would provide the Board the opportunity to begin designing these programs during the 17-19 Biennium.

Santa Lucia additionally reported that high level outcomes of the Skills That Shine pilot program were presented at the Governor's Summit on Career Connected Learning. This mentoring pilot program teaches soft skills to sophomores and juniors. The mentor-mentee commitment involves four meetings over the course of the year and recruiting mentors has been easy.

Santa Lucia also reported on upcoming events which include the Eat, Drink, Talk Opportunity luncheon in Vancouver, the Rubens Scholars picnics in Ellensburg and Seattle, and our three day Opportunity Launch conference at UW with 250 of our Scholars. In addition, Santa Lucia reported on researching WSOS growth options to deploy our funds in strategic ways. WSOS is working with Marc Casale, a consultant, who is utilizing focus groups as part of the research. Nelson reported on the media and social media update.

In terms of next steps, Smith recommended the October 2<sup>nd</sup> board meeting cover potential opportunities which evolve from growth options analysis. If the two bills pass, additional work will need to be done. Julie Sandler and Jane Park volunteered to work with Marc Casale with setting up the focus groups.

### **Finance & Program Administrator Update**

Hogans reported on the legislative update and indicated that the WSOS Scholarship Fund and Endowment Fund performed at or above benchmarks. Cindy Gustafson reported on the Program Administrator update as well as the finance update. The projected cash balances in 2026 is \$32M for the Endowment Fund and \$38M for the Scholarship Fund. Gustafson is working to secure the state match for \$1.1M for private revenue secured under the College Success Foundation's management.

Gustafson further reported that the WSOS Finance & Investment Committee has recommended to the Board the adoption of a short-term investment policy. The KeyBank proposal will add about \$250K of income.

Hogans made a motion to approve the recommendation. Gary Rubens seconded the motion and it carried unanimously.

Hogans reported that the WSOS Finance & Investment Committee has expressed more confidence in Washington STEM's financial oversight than in the history of WSOS.

The meeting adjourned at 2:52 pm.

Respectfully submitted,  
Karyl Gregory

# **Tab B**

## **Scholar Spotlights**

## Scholar Spotlights

### **VALERIE NAJERA**

Valerie is a recent Human Centered Design & Engineering graduate from the University of Washington (UW). While at the University of Washington, Valerie was the Co-President of the Society of Hispanic Professional Engineers, a student mentor for Hispanic classmates and a Research Assistant in the Computer-Supported Collaboration Lab at UW. Most recently, Valerie served as a UX Mobile Design intern for Premera Blue Cross as well as a Student UX Researcher & Designer at Amazon. Valerie was inspired to pursue a career as a UX Designer because she loves the idea of working with technologies to make a positive impact. Valerie has been a WSOS Scholar for the past five years and she is grateful to the WSOS family for the academic and emotional support they provided her through college.

### **CARL ARGABRIGHT**

Carl was recently accepted into the Computer Science major at UW–Tacoma. Like many WSOS Scholars, Carl has had a long road to achieve his current success. After dropping out of high school, working, and getting married, Carl enrolled at Tacoma Community College where he worked as a math tutor. With Boeing support, Carl participated as a mentee in the original WSOS Skills That Shine pilot mentor program. Carl has also competed in the last two DubHacks hackathons at UW and he and another WSOS Scholar collaborated to start the Hackathon Club at UW-Tacoma. Carl and his wife enjoy hiking and photography.

# **Tab C**

## **WSOS Activities Update**

## WSOS ACTIVITIES UPDATE

### PROGRAM UPDATE

#### **OPPORTUNITY LAUNCH**

Two hundred and seven newly-selected and accepted Cohort 6 Scholars attended the second Opportunity Launch (OL) program at the campus of UW-Seattle on August 6-8, 2017. The goal of this program was to provide orientation to newly-selected Scholars and to enhance community within this new Cohort.

Scholars participated in sessions that included success in the classroom, finding balance, alternative pathways into STEM, budgeting and understanding the transfer process. Scholars also had the chance to visit and network with professionals in their field. Presenting leaders included Gary Rubens (WSOS Board), Jane Park (WSOS Board), Richard Wang (former CEO of Coding Dojo), Rosa Peralta (Executive Director of the Latino Center for Health) and TeeWanz (Tableau Software Engineer and Grammy-award winning recording artist).

Participating Scholars valued the program for connecting them with campus partners, raising their understanding of the expectations of the scholarship and for enhancing their appreciation of the WSOS commitment to their success in college and in finding their future job through an array of programs. Highlights of the event included a new scholar, Marian, organically starting a large group Scholar conversation on the first night of the conference as well as Dr. Peralta's talk on resiliency and the importance of refining one's "super hero" stance.

#### **SKILLS THAT SHINE 2.0**

Skills That Shine (STS) is back and bigger than ever! Refined from feedback and evaluation data collected from the original mentoring program and the STS pilot of last year, WSOS is excited to offer the STS to all Scholars of Sophomore, Junior and Senior standing seeking personal advice and coaching on the soft skills essential to securing an internship and job in today's competitive professional market. Using revised and refreshed content, professional mentors will be able to support Scholar growth in building a resume, enhancing their networking skills, triumphing in an interview and landing well in their new job. STS is our most important means of building professional capacity in the thousands of Scholars we serve statewide. Please learn more about how you or a friend can mentor a Scholar this year:

<https://waopportunityscholarship.org/get-involved/mentorship/skills-shine-mentor-faqs/>

#### **SCHOLARSHIP SERVICES**

**Annual Required Renewal & Graduate Form:** For Scholars to continue to receive the Washington State Opportunity Scholarship (WSOS), all recipients must complete this required form during the month of July. Scholars are un-enrolled if they do not meet all eligibility requirements.

**Renewal Data:** While we anticipated 2942 completing the Annual Required Renewal and Graduate Form, 2653 Scholars completed the form. We used various social media outlets to notify the 289 non-responding



Scholars: a postcard in the mail, emails with reminders, and three rounds of phone calls to all non-responders. In reviewing the form responses, WSOS determined that:

- 508 of renewing Scholars were deemed ineligible to receive the scholarship for the 2017-18 academic year (as of 09.06.2017). Causes of ineligibility included: did not renew, attending a college out of state, ineligible major, did not meet their college's satisfactory academic progress policy, etc.
- 337 Scholars indicated they graduated. Please note that many more Scholars may have graduated but they did not complete the form. Therefore, that data is not reflected in the chart below.

<b>College Name</b>	<b>Count of Graduated Scholars</b>
Central Washington University	5
Clark College	1
Columbia Basin College	1
DigiPen Institute of Technology	1
Eastern Washington University	13
Gonzaga University	7
Heritage University	2
Northwest University	4
Pacific Lutheran University	18
Pierce College	1
Saint Martin's University	3
Seattle Pacific University	10
Seattle University	7
Spokane Community College	1
The Evergreen State College	2
University of Puget Sound	1
University of Washington Bothell	9
University of Washington Seattle	162
University of Washington Tacoma	7
Washington State University Pullman	29
Washington State University Spokane	9
Washington State University Tri-Cities	2
Washington State University Vancouver	10
Western Governors University-WA	1
Western Washington University	21
Whitman College	1
Whitworth University	9
<b>Grand Total</b>	<b>337</b>

**Wize Hive Update:** The new customized Scholar database, Wize Hive, is now in active use in the office. We are and will continue to run quality assurance testing by way of various reports and testing the special plug-ins built within the system for automation purposes. This month we debuted the WSOS College Partner School Portal. This will ultimately allow us to streamline many of our processes and provide better customer

service to our college partners as well as more timely and accurate award disbursements to Scholar financial aid accounts. The Scholarship Services team is looking forward to rolling out the WSOS Scholar Portal in October. Once established, Scholars will enjoy increased transparency with WSOS. Twenty-four hours seven days a week, they will be able to login to their accounts to update contact information and to confirm their WSOS award status.

## 2017 LEGISLATIVE SESSION

### **WSOS BILL UPDATE (SHB 1452 AND 2143)**

During the upcoming supplemental legislative session, we will continue to work to advocate for SHB 1452 which would (1) provide WSOS the opportunity to fund students for professional/technical degree programs, (2) allow the use of the Washington Application for Student Financial Aid (WASFA) to determine income eligibility for renewing Scholars, and (3) clarify the role of the WSOS program administrator. In addition to SHB 1452, WSOS will support SHB 2143 which would allow WSOS to fund students pursuing advanced healthcare degrees with a service obligation (underrepresented urban and rural areas). We believe that both of these bills will move quickly to the Senate for consideration. We are working closely with the State Board of Community and Technical Colleges as well as key higher education partners to develop our advocacy strategy and move these bills forward.

In addition to SHB1452 and SHB 2143, we will work to receive an appropriation for approximately \$6M - the state-match funds which have been received and not yet matched by the State.

## DEVELOPMENT AND ADVOCACY

### **OPPORTUNITYTALKS**

Our third annual fundraising breakfast will take place once again at the Sheraton Seattle Hotel on Thursday November 2, 2017. Registration, networking and coffee begin at 7:00 am with breakfast and program starting promptly at 7:30 a.m. As always, we are committed to wrapping up on time at 9:00 am.

We are delighted to have Derek Thompson, bestselling author of **Hit Makers: The Power of Popularity in an Age of Distraction** as our keynote speaker. Thompson's theme is the importance of network and connection which we are tying to the immense value of mentorship and professional experiences for our Scholars. Each attendee will receive a copy of Thompson's book and be invited to the author signing from 9 am – 10 am.

Our Opportunity Scholar speaker is Lyn Boyd, an alumna who just graduated with her Bachelor of Science in Biology from UW-Bothell this past spring. Lyn started as a Green River Community College student and her story is funny, touching and inspiring.

Last year we had over 800 attendees hear from Dr. Angela Duckworth and Opportunity Scholar Mark Bennett. This year we anticipate an even larger crowd as we continue to educate people about this remarkable workforce development program and celebrate our partnerships with companies, colleges and foundations. The breakfast is a free event with a compelling call to action (and donation) by Board Chairman Brad Smith.

Additionally, we are honored this year to be partnering with the Western Governors Association. Their Seattle meeting will take place over November 1 & 2 and we are pleased to host their attendees at our OpportunityTalks Breakfast.

Our 2017 co-chairs are WSOS Board Member Jim Sinegal, Amy Hanson of Hanson Consulting Group, Michael Parham of RealNetworks, and Amy Bohutinsky of Zillow Group. We have confirmed over 60 Executive Leadership Committee members who, along with WSOS Board Members, will host tables of nine guests and one Opportunity Scholar. We are ahead of last year in registrations and on track to sell out the 1,000 seat Sheraton ballroom well before the end of October.

In sponsorship news, WSOS is the grateful recipient of a \$50,000 gift from the RealNetworks Foundation who will be acknowledged as a Presenting Partner at the breakfast. Other new support includes NewTech Northwest, McKinstry (through a Pillar Grant), Virginia Mason, IDRI (Infectious Disease Research Institute) and a number of university departments.

Through the Rubens Family Foundation, Gary Rubens has very generously agreed to once again fund the match at this year's event. Gifts of \$250 and above will be matched up to \$250,000. Gary's stated desire is to inspire donors to contribute above the suggested minimum of \$150 and thereby quadruple their investment in WSOS (Rubens + State matches). This support and that of the state of Washington will help us to reach our goal of raising \$1M again this year.

The role of a Board Member is that of an ambassador and community leader. Each Board Member is requested to attend the breakfast and host 8 other attendees. One additional seat will be filled by an Opportunity Scholar bringing your table to a total of 10. The WSOS event staff have distributed both electronic and hard copy invitations to our database of friends and contacts, and additional hard copy invitations are available. We will happily mail those on your behalf.

Thank you for clearing your calendar for the morning of Thursday, November 2<sup>nd</sup> and thank you for sharing this important annual fundraising event with your network. Should you have more than 8 people respond to your invitation, we will be pleased to seat them at a table near you.

If you haven't responded to our renewal request for your company's sponsorship, now is the perfect time to commit.

## **MEDIA**

We are thrilled and grateful for the strong earned media coverage we received to not only recognize and celebrate student success, but to increase awareness and support of the program in communities across Washington.

### **EARNED MEDIA**

#### **Coverage Summary:**

- Green River, unique scholarship program launch local student to success | *Auburn Reporter*, Aug 24

## SOCIAL MEDIA

Social engagement continues to grow rapidly and remains a key channel through which we communicate with Scholars, community partners and the public.

Key social media growth and impressions June 20 - September 20, 2017:

### Facebook

- » 3,201 page likes Jun. 27, 2017
- » 3,262 page likes Sept. 20, 2017 **(+2%)**
- » Total impressions (paid & organic): **75,133**

### Twitter

- » 1,551 followers Jun. 20, 2017
- » 1,601 followers Sept. 20, 2017 **(+3%)**
- » Total impressions (paid & organic): **56,592**

### Top media Tweet earned 225 impressions

Larissa is in our [#ScholarSpotlight](#), to learn more about her story visit: [bit.ly/2wom0J9](http://bit.ly/2wom0J9)  
[pic.twitter.com/zhZZRKBqL1](https://pic.twitter.com/zhZZRKBqL1)



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## STAFF TRANSITION & WELCOME TO OUR NEWEST MEMBERS

We are very sad to announce that **MEGAN NELSON**, our Director of External Affairs, will be leaving the team in September 2017 to move to the Bay Area. Megan was a true force for WSOS! Her marketing and communications vision directly led to the visibility that WSOS enjoys today. Her passion for our Scholars was truly inspirational, evidenced by her ability to capture Scholar stories and share them with a broader audience in an extremely impactful way. Megan could be found working at all hours of the day on behalf of students – there is not a WSOS team member who didn't receive an email from her at 2:00 in the morning! Her energy, enthusiasm, humor and ability to juggle numerous tasks with grace and aplomb will be greatly missed!

While we are so sad to say goodbye to Megan, the WSOS team is proud to introduce three new members to our small (but mighty) team!

### **KIMBER CONNORS, SR. DIRECTOR OF STRATEGY & OPERATIONS**

Kimber is a familiar face to WSOS. Prior to joining the team, Kimber worked in the Research and Evaluation team at CSF where she produced our annual Legislative Report, conducted program evaluation, and managed various research projects. Since leaving CSF, Kimber has worked as a consultant for WSOS to assist with the WSOS Scholar database transition and rollout. Kimber holds a Master's Degree in Education Policy from the University of Washington and was formerly a teacher and math specialist in New Mexico.

**JESSICA MONGER, DIRECTOR OF EXTERNAL AFFAIRS**

Jessica joins WSOS from UW Impact – the University of Washington’s alumni advocacy organization. At UW Impact, Jessica was responsible for connecting stakeholders in elected office, higher education and industry to public policy issues facing UW and public higher education. Jessica was also responsible for stewarding the legislative priority-setting process and developing communications and advocacy strategies for UW Impact. A native of Vancouver, Washington, Jessica holds a BA from the University of Oregon as well as a Master’s in Education Policy from the University of Washington. Prior to her involvement in government affairs and communications, Jessica served as a reporter and writer for various media outlets in the Puget Sound area.

**PATRICK OKOCHA, PROGRAM OFFICER**

Patrick is the newest member of the Western Washington programs team. Patrick Okocha joined us in September to primarily serve the 600+ new Scholars attending UW-Seattle. Patrick joins us most recently from Year Up Seattle. Prior to Year Up, Patrick worked as a Recruitment Officer for the UW Office of Minority Affairs & Diversity. Patrick earned his BA in English Literature & Communications from the UW. Patrick will also assume case management of UW-Bothell, UW-Tacoma, Seattle University, University of Puget Sound and Pacific Lutheran University.

Please join us in welcoming our new team members!

# **Tab D**

## **Finance & Program Administrator Update**

## Agenda

### **WSOS Investment & Finance Committee Meeting**

*September 29, 2017, 1:00pm - 2:00 pm*

Call-in: 800-582-3014 – PIN: 13389906  
Washington STEM Discovery Conference Room

- |    |   |          |
|----|---|----------|
| 1. | Call to Order & Introductions   | Mack H.  |
| 2. | Approval of June 20, 2017 Minutes   | Mack H.  |
| 3. | Program Administrator Review of Key Work  | Cindy G. |
|    | <ul style="list-style-type: none"><li>• State match billing</li><li>• Scholarship projections</li><li>• Program projections</li><li>• Implementation of cash forecast and ST Investments with KeyBank</li><li>• Cyber security review of all new systems</li><li>• Governance</li><li>• Other</li></ul> |          |
| 4. | Financial Statements  | Cindy G. |
| 5. | WSIB Investment Review  | Chris P. |
| 6. | Potential RFP for Management of All Funds   | Mack H.  |
| 7. | Other Business  | Mack H.  |
| 8. | Executive Session   | Mack H.  |

**NEXT MEETING: Friday, December 15<sup>th</sup>**  
**(Rescheduled from Tuesday, November 28<sup>th</sup>)**

## **Section 2**

Approval of June 20, 2017 Minutes



## **FINANCE & INVESTMENT COMMITTEE MEETING MINUTES | TUESDAY, JUNE 20, 2017**

Members present: Mack Hogans (Committee Chair), Naria Santa Lucia (WSOS Executive Director), Cindy Gustafson (Washington STEM), DeShay McCluskey, George Zinn, Gary Rubens, Elizabeth Tinkham; via teleconference: Carolyn Kelly

Others present: Karyl Gregory (WSOS staff); via teleconference: Chris Phillips (WSIB) and Allyson Tucker (WSIB)

Mack Hogans called the meeting of the Washington State Opportunity Scholarship (WSOS) Finance and Investment Committee to order at 1:00 pm. Each person shared their name and company affiliation.

### **Approval of Minutes from April 13, 2017 Finance and Investment Committee**

Gary Rubens made a motion to approve the minutes of the April 13, 2017 meeting. Elizabeth Tinkham seconded the motion and it carried unanimously.

### **Financial Report**

Cindy Gustafson reported that there is one open item affecting program administration: College Success Foundation (CSF) submitted an invoice for \$23M to the State for matching funds and the State has requested additional documentation for \$759K of private gifts going back five years. The CSF Controller has indicated that the complete documentation will be done by the end of this month.

Chris Phillips reported that WSIB is closely watching the Biennium budget process. Operationally, the Attorney General's Office states that WSIB has a fiduciary responsibility regardless of the budget approval.

Gustafson reported that Washington STEM will implement a new accounting and reporting system on July 1<sup>st</sup>. This will include data from WSOS' five years with CSF. Gustafson further reported that she has already had a meeting with Clark Nuber to prepare for the audit in Spring 2018. Gustafson additionally reported that \$21M in State matching funds were received along with some private monies.

Gustafson reported next on the program cash projections. The period covers 2012 through 2026 with a total of ten cohorts being awarded, the last cohort awarded in fall 2020, and the program sun-setting in 2026. The scholarship model was updated in February to reflect the actual number of students and payments made which resulted in a \$7.5M reduction of the scholarship liability. When projected out to 2026, these changes reduced the total scholarship payments by \$20M. The scholarship model will be updated again in the fall after program staff have completed the WizeHive scholarship system implementation and validation of student data. The scholarship fund cash balance will be \$28M.

Naria Santa Lucia is working on a strategy to redeploy these funds. Growth options will be presented at the October WSOS Board meeting.

An update on scholarship payments will be made at each Finance & Investment Committee meeting.

George Zinn asked about the availability of using the Endowment Account. Santa Lucia reported the WSOS Board plans to consider use of the Endowment funds at a later date.

Gustafson presented a proposal for the adoption of an investment policy for short-term investments. The proposal incorporates comments from Committee members. She also provided a proposal from Key Bank, current banker for Washington STEM, which included a tiered approach for the investments over 12-24 months with the goal of maximizing returns in support of program objectives. Portfolio returns in the KeyBank proposal exceed the returns on cash currently held at WSIB.

Santa Lucia confirmed with the Attorney General's Office that the investment policy applies to WSOS. The Manager Agreement would ensure compliance with the investment policy by the bank as Manager. The next step is to select the Manager. The policy includes an investment authorization by two individuals at Washington STEM.

After some discussion, George Zinn recommended approving the policy today and then allowing more time to review the KeyBank proposal before the implementation. DeShay McCluskey made a motion to recommend to the Board the approval of the Short-Term Investment Policy. Gary Rubens seconded the motion and it carried unanimously. Gustafson agreed to review the investment proposal and implementation plan with Treasury staff at Microsoft and then review once more with the Committee before implementing the actual investments. (This was done in July via email and conference calls.)

#### **WSIB Report**

Chris Phillips provided a performance review of WSOS funds invested through March 31, 2017. Fund performance through May is tracking 7.7% for the Scholarship fund, 9.3% for the Endowment Account, 10.8% for Equity Returns, and 2.8% for Fixed Income Returns. The U.S. led world markets and the international developed markets were gripped by uncertainty.

#### **Advocacy Update (refer to Activities Update in board book)**

Santa Lucia reported WSOS currently is pursuing two bills in the current legislative session. SHB 1452 would expand WSOS for professional/technical degree programs and SHB 2143 would allow WSOS to additionally fund students pursuing advanced healthcare degrees with a service obligation (underrepresented urban and rural areas). Both bills remain alive in the Senate.

These two programs represent separate buckets within WSOS. The total for both programs is \$3M and WSOS would seek another \$3M from private donations for a combined total of \$6M.

#### **Option for Meeting Location**

Hogans reported that, since the Committee's inception, only one meeting has included all members in the same location. Hogans recommends the next meeting on September 25th be held in Walla Walla. Peter Harvey expressed strong interest in hosting our meeting at Whitman College. It was suggested that we tie in an event for our Scholars in the area. Each Committee member expressed eagerness to meet in Walla Walla. Santa Lucia will confirm this plan will work for each person.

Rubens met with Jenee Myers Twitchell who serves at the UW College of Education. She has been interviewing school principals and counselors to determine key factors for increasing educational attainment outcomes. Twitchell's research confirms that the WSOS scholarship is rated the number one factor among school personnel for major impact on their students.

The Committee went into Executive Session at 2:10 pm, had a brief discussion, and adjourned.

Respectfully submitted,  
Mack Hogans

DRAFT

## **Section 3**

### Program Administrator Review of Key Work

# Washington State Opportunity Scholarship Program Administration

## Executive Summary Update for the Washington STEM Board | September 2017

### BACKGROUND AND OVERVIEW

WSOS is a public private partnership established by the Legislature in 2011 (28B.145 RCW Opportunity Scholarship Act) to increase access to high-demand STEM and health care majors for low-and middle income students through scholarships and academic supports. College Success Foundation (CSF) served as program administrator from inception in 2012 until January 31, 2017 via an interagency contract with the State of Washington-Washington Student Achievement Council (WSAC) and the WSOS Board. The legislation describes in detail the program design and how the program is to be funded and administered. The bill calls for a full program review by the state in 2018; however, the agency has delayed this one year to 2019.

Effective February 1, 2017, the Washington STEM Board approved a contract for professional services between the State of Washington Student Achievement Council and the Washington State Opportunity Scholarship Board whereas Washington STEM will serve as Program Administrator to the Washington State Opportunity Scholarship program (WSOS). The contract term ends June 30, 2018 with options to extend in two year increments for up to ten years.

Washington STEM and the WSOS program teams have been working together on transition matters, and more recently on updating scholarship projections and cash forecasts for the program. Washington STEM has implemented a short-term investment policy which will result in increased income to the program for program use starting this year. The implementation of various information systems is substantially complete and data has been reconciled to various sources. For additional information regarding the transition and administration of WSOS program, please see the rest of this summary.

Outside of the scope of the contract but also very important are the opportunities to more closely align the programmatic work of the two organizations given our common missions (i.e. to increase Washington student achievement in STEM education, with emphasis on closing the gender and race gap in high-demand STEM careers). Caroline King and Naria Santa Lucia have begun regular meetings to talk about these and other matters of importance to both organizations.

- To closely coordinate on pathways to STEM careers from inspiration, support, academic progress and higher education by aligning programmatic initiatives in math, engineering, computer science, career-connected learning for the greatest impact in those underserved and underrepresented populations;
- Co-leverage Washington STEM's network of regional STEM networks and STEM Innovation program and policy initiatives to increase the pool of qualified applicants for WSOS scholarships and employed graduates.
- Explore other leverage points for the benefit of Washington students and employers.

Washington STEM is interested in advancing the programmatic initiatives as part of the contract renewal in 2018.

### TRANSITION STATUS AND OPEN MATTERS

Washington STEM has worked with the WSOS program team on the following significant matters during the third quarter of this year:

- CSF Transition; Records have been validated for balances transferred to Washington STEM and due diligence is complete with one exception. The state has rejected over \$800K of private gifts for matching with state funds due to lack of adequate documentation. We worked with CSF financial staff and WSOS Development staff to research and obtain the necessary documentation. We are pleased to report that less than \$20,000 remains without complete documentation. Therefore, we will prepare an invoice to the state requesting appropriated matching funds for

approximately \$10 million which includes this revenue and all other revenue received to the present time. Going forward we plan to prepare regular invoices to the state for the earned match, subject to appropriation of funds.

- Revenue due diligence also relates to the set-up of the new donor data base and gift system, validation and reconciliation with accounting records and copies of underlying documentation.
- Scholarships; New scholarship system and validation of student data; integration with scholarship liability projections and with financial system for payments of scholarships to educational institutions; this work was recently completed. Finance and the WSOS program teams have worked together on this project to ensure the most accurate possible projections for program planning and for the accounting for scholarship liabilities going forward. The accounting entries to update the liability and expense accounts will be recorded in August financial statements. Further, the new accounting system has allowed us to make payments to the sixty-plus higher ed institutions via ACH, preventing lost checks and allowing more efficient cash management for these large distributions.
- Program cash projections; the first draft, included in the June report, has been updated following the validation of student data underlying the projection of scholarship payments. Scenarios have been (and can be in future) prepared as needed to support program planning. The cash forecasting has been expanded to quarterly increments which was used to implement the new short term investment policy.
- Cash Analysis of revenue and spending by Scholarship and Endowment accounts, separately, and by private and state funds has been completed along with recommendations for account adjustments and amounts available for short term investment to increase returns. The first set of transactions have been made and Washington STEM will bring additional recommendations to the next WSOS Finance and Investment Committee meeting.
- Investment Policy for State Short Term Funds was prepared in accordance with state requirements and was approved by both Boards. The implementation plan with KeyBank was reviewed with representatives of the Microsoft Treasury Department and modified by their recommendations, then reviewed again with the WSOS Finance and Investment Committee. The first investments were made via KeyBank at the end of August.
- Accounting system conversion to hosted version of Abila MIP Fund Accounting completed within the budget and on time with a July 1, 2017 “go live” date. It included the history for WSOS and Washington STEM since inception. Implementation costs have been shared 60/40 between the two organizations with Washington STEM paying the 60%.
- Preparation for WSOS Board meeting and Finance/Investment Committee meetings (September).

## WASHINGTON STEM RESPONSIBILITIES UNDER THE CONTRACT

Washington STEM has a workplan to deliver services in support of the WSOS program with the following key milestones in addition to the baseline support in each of the key areas (IT, HR and Finance and Administration).

- Q1-2017: Employees on boarded, complete transition from CSF including all program data, financials and donor information to report program revenues, costs and student outcomes with accuracy from inception
- Q2-Q3-2017; Accounting system conversion and system integrations; financial reporting
- Q4-2017; Annual program report to Legislature
- Q1-2018; First audited financial statements and Form 990 for combined programs under WASTEM
- Q2-2018; Secure contract renewal; prepare for State audit of program

Washington STEM has completed the required milestones to date and the system conversions have been completed as well. We have met with Clark Nuber to plan for the audit of 2017 results. They will do interim fieldwork in December around the accounting system conversion and the transfer of the WSOS beginning balances from CSF as of January 31, 2017.

Both organizations are positioned well going into the 2018 budget process to collaborate on the opportunity for strategic programmatic initiatives and we hope to capture the opportunities to leverage impact of both organizations by working more closely together.

## OTHER MATTERS

After seven months into the contract, much of the baseline work has become well established. We have moved into projects related to the investments, overall analyses of revenue and spending, and using program financial projections for decision-support.

We look forward to the following major work through the end of this year:

- State Match Invoice for \$10 million; to include the necessary documentation obtained from CSF for WSOS private revenue prior to January 31, 2017 which the State disallowed for matching funds due to lack of adequate documentation, together with revenue to the current date.
- Support decision-making around legislative strategy for appropriation request related to remaining matching funds (from program cash projections and known revenue)
- Investments; Recommend transfer of remaining scholarship funds held in cash with WSIB as part of the investment policy implementation and to gain higher returns for the program.
- Cybersecurity review; Project team, including consultant with subject matter expertise, to review the IT environment and all new systems, with emphasis around the controls over storage and transfer and safeguards of personal information. This is being done as a step related to the new systems and we will also include a review of all contracts with our cloud-based software providers and the cyber liability and privacy breach insurance which was purchased as required by this contract.
- Preparation for both the financial audit (Clark Nuber) and the legislative report, as appropriate

We continue to enjoy open and frequent communication with the WSOS program team and are confident that we will work effectively together on each of these matters.

Prepared by Cindy J. Gustafson  
September 13, 2017

# Washington State Opportunity Scholarship Program

## Short Term Investments Policy and Implementation Plan | September 2017

### BACKGROUND AND OVERVIEW

WSOS is a public private partnership established by the Legislature in 2011 (28B.145 RCW Opportunity Scholarship Act) to increase access to high-demand STEM and health care majors for low-and middle income students through scholarships and academic supports.

Program investments are held in two funds, Endowment and Scholarship, each of which has a component of private and public funds which are also tracked separately and are subject to differing requirements with respect to investment of the funds.

At its June meeting, the Finance and Investment Committee approved an investment policy for short term investments. This policy is guided by and in compliance with various state policies which govern the investment of state funds. This was followed by a review and subsequent modifications of the implementation plan by representatives of the Microsoft Treasury Department and then again by the Committee in July.

Key Bank, who provides banking and treasury services to Washington STEM and WSOS, is providing transaction-based services, not a managed account. Therefore, there is not a full management agreement but there is a letter of engagement in which they describe their review of the policy and intent to report to Washington STEM on a quarterly basis on the investments.

The cash forecast that was provided to the Committee at the June meeting has been expanded to a quarterly cash forecast by each fund to better guide the investment of the short-term funds over the next twelve to twenty-four months. Movement of funds between accounts will be guided by the cash analysis and projections by the separate funding sources: State funds will be spent first and be invested in accordance with the State policies.

### IMPLEMENTATION OF KEY BANK SHORT TERM INVESTMENTS

We have implemented the following tiered approach with Key Bank, considering the recommendations of the Microsoft Treasury team:

- Checking Account for operating expenses (active)
- Money Market account with interest of .65% (currently active; to be closed)
- Fed funds money market account (active, balance of \$1 million at .85%)
- Fixed Income Portfolio-first tranche (\$16.4 million with expected returns of .95%)

Note that the Fixed Income Portfolio will return less than the expected return of 1.25% in the proposal because the total amount invested and the duration is less. The original portfolio had an average duration of 1.48 years and an average yield of 1.25%. The new portfolio has a duration that is one third the length, at 0.46 years, but has a yield of 0.95%. Per Key Bank, this is actually very attractive given the nature of the short duration. Also, short term interest rates have actually come down recently, as a result of an escalation with North Korea, and political gridlock in DC. On our next round of investments, we should be able to achieve a higher yield, with a longer duration, as our first batch of investments covered the shorter cash needs. The listing of the investments and the compliance calculations are attached.



We asked Key Bank to align the 12-24 month investments with expected scholarship cash flows to maximize return and minimize turnover and transaction costs. Future investments can be of longer duration and will yield higher returns.

Additional tranches will include:

- Receipt of funds from the state match to be invoiced by October 1, approximately \$10 million.
- Potential transfer of scholarship cash funds currently held by WSIB in the amount of \$16 million.

Microsoft Treasury staff also suggested that "WSOS may want to consider a mix of floating rate investments to benefit from rising short-term rates. The Fed is expected to continue raising rates and we believe interest rates will be flat to slightly higher in the near to medium term." We will monitor this regularly going forward.

Other transfers were made to align the funds at WSIB correctly, based on our reconciliations:

- Transfer of \$1,016,414 from WSIB Endowment-Private to WSIB-scholarship-Private to correct the balances from the previous administrator
- Transfer \$2,500,000 of state match funds received to WSIB Endowment-public from Key Bank
- Transfer \$10,434,254 of private funds to WSIB-Scholarship Private from Key Bank; to be invested in the equity and fixed income as per policy

This completes the adjustments based on the reconciliations of all accounts and the initial implementation of the short-term investment policy.

## NEXT STEPS AND DISCUSSION QUESTIONS

We have identified the following next steps and points for discussion:

- Update the cash projections for both funds based on the updated September 2017 scholarship model and financial projections.
- Review plan with WSIB together with cash forecast and projections to ensure that the investments are optimized for the updated program plan and cash forecast. Are equities appropriate for the obligations which are less than 5 years out and if not, how and when can these be changed?
- Ask WSIB if they can provide any investment options for the cash in the endowment account which may be of longer duration that can provide greater returns to the program.
- Maintain funds in accordance with policy; provide regular updates.

As the strategies for the program's future, both for the Scholarship and the Endowment funds, evolve over coming months, we want to do the following:

- Update the cash forecasts and consider appropriate investment alternatives to maximize returns in support of the program objectives.
- Obtain the Committee's and Board recommendations with respect to the Endowment Account given the potential for long duration of investments.

If you have questions or need more information, please contact me.

Prepared by Cindy J. Gustafson  
September 20, 2017

Attachments:

Key Bank Investments Summary

WSIB report dated July 31, 2017

WSIB Annual report dated June 30, 2017

## Washington STEM Portfolio

CUSIP	Par Amount	Name	Coupon	Maturity Date	Purchase Price	Purchase Date	YTM*	Duration (Yrs)	Moody's	S&P	Interest Income	Purchase Cost
313385MH6	1,700,000	FHLB DISCOUNT NT	0.00%	9/29/2017	99.94	9/1/2017	0.81%	0.08	#N/A	N/A	\$1,057.78	\$1,698,942.22
313385PY	3,500,000	FHLB DISCOUNT NT	0.00%	12/1/2017	99.79	9/1/2017	0.86%	0.25	#N/A	N/A	\$7,475.90	\$3,492,524.11
912828N55	4,900,000	US TREASURY N/B	1.00%	12/31/2017	100.04	9/1/2017	0.87%	0.33	Aaa	N/A	\$14,053.41	\$4,910,446.59
36962G6W9	600,000	GEN ELEC CAP CRP	1.63%	4/2/2018	100.28	9/6/2017	1.13%	0.59	A1	AA-	\$3,875.17	\$605,874.83
17275RAU6	600,000	CISCO SYSTEMS	1.65%	6/15/2018	100.40	9/6/2017	1.13%	0.79	A1	AA-	\$5,272.50	\$604,627.50
166764AE0	900,000	CHEVRON CORP	1.72%	6/24/2018	100.42	9/6/2017	1.19%	0.81	Aa2	AA-	\$8,589.60	\$906,872.40
06050TMC3	600,000	BANK OF AMERICA	1.75%	6/5/2018	100.44	9/6/2017	1.16%	0.76	A1	A+	\$5,229.83	\$605,270.17
3134G9UY1	3,500,000	FREDDIE MAC	1.00%	6/29/2018	99.93	9/1/2017	1.08%	0.83	Aaa	AA+	\$31,317.22	\$3,503,682.78
<b>Total Par Amt</b>	<b>\$16,300,000</b>											<b>\$16,328,240.60</b>
<b>Weighted Avg Yield:</b>	<b>0.95%</b>											
<b>Weighted Avg Duration:</b>	<b>0.46 Years</b>											
<b>Total Interest Income</b>	<b>\$76,871</b>											
Today's Date:												
8/31/2017												
*YTM = Yield to Maturity												

Footnotes-- Assumes \$31mm as total amount to be invested amongst all options

- Your policy: 1 limits the total investments allocated in corporate bonds and commercial paper at 50%
- WSIB Policy 2.05.500 : limits total investments in corporate bonds and commercial paper at 25% of total assets.
- Merging the two, the portfolio is capped at 25%.

Commercial Paper:

- Highest Rated by all 3 NRSROs. (A1+/P1/F1)
- Maturities are less than 270 days
- Paper with maturities longer than 100 days has an underlying longterm rating in one of the three highest NSRSOs.
- No more than 3% of total assets in any 1 single issue

Corporate Bonds:

- Must be rated at least A3/A- by all rating agencies.
  - If rated AA or better- maximum is 3% per issuer
  - If rated below AA- maximum is 2% per issuer
  - Securities rated below AA must not be on negative watch
- Each bond must have a maximum maturity of 5.5 years or less
- Total corporate bond portfolio duration must be 3 years or less
- Corporate bond issues can't exceed 3% of the cost of the portfolio

## **Section 4**

### Financial Statements

WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

# Finance and Program Administrator Update



1

OCTOBER 2, 2017 BOARD MEETING

# WSOS Balance Sheet

## Washington State Opportunity Scholarship

### Comparative Balance Sheets

Period Ending June 30, 2017

	Comparison to FYE			Notes	Comparison to Same Period LFY		
	6/30/16	% Change	6/30/17		6/30/16	% Change	6/30/17
<b>Assets</b>							
Cash	2,243,707	1526%	36,485,421	1	2,243,707	1526%	36,485,421
Investments	85,316,061	-9%	77,509,090	2	85,316,061	-9%	77,509,090
Accounts Receivable		0%	1,573			0%	1,573
Pledges and Grants Receivable	25,428,522	-44%	14,279,779	3	25,428,522	-44%	14,279,779
Prepaid Expenses	48,175	192%	140,714		48,175	192%	140,714
Property and equipment, net		0%	22,454			0%	22,454
<b>Total Assets</b>	<b>113,036,465</b>	<b>14%</b>	<b>128,439,031</b>		<b>113,036,465</b>		<b>128,439,031</b>
<b>Liabilities and Net Assets</b>							
Accounts Payable	448,490	-83%	75,396	4	448,490	-83%	75,396
Payroll Related Liabilities	131,958	-99%	1,332		131,958	-99%	1,332
Scholarship Commitments	36,937,798	-48%	19,372,117	5	36,937,798	-48%	19,372,117
<b>Total Liabilities</b>	<b>37,518,246</b>	<b>-48%</b>	<b>19,448,845</b>		<b>37,518,246</b>	<b>-48%</b>	<b>19,448,845</b>
<b>Net Assets</b>							
Temporarily Restricted Net Assets	51,480,899	63%	83,990,186		51,480,899	63%	83,990,186
Permanently Restricted Net Assets	24,037,319	4%	25,000,000		24,037,319	4%	25,000,000
<b>Total Net Assets</b>	<b>75,518,219</b>	<b>44%</b>	<b>108,990,186</b>		<b>75,518,219</b>	<b>44%</b>	<b>108,990,186</b>
<b>Total Liabilities and Net Assets</b>	<b>113,036,465</b>	<b>14%</b>	<b>128,439,031</b>		<b>113,036,465</b>	<b>14%</b>	<b>128,439,031</b>

# WSOS Balance Sheet

## Notes to the Financials

1. Transfer from WSIB for scholarship and operating expenses for FY 16/17. Receipt of State match of \$21M and Rubens of \$5.25M. Money Market account opened in June is included in Cash.
2. Funds transferred from WSIB for FY 16/17 expenses.
3. Received \$2.5M from Microsoft and \$8.375M from Rubens.
4. Large balance on 6/30/16 due to unpaid admin fees to CSF.
5. Reduction in scholarship liability due to a \$7.8M adjustment related to correction of scholarship model and scholarship disbursements during the period.

# WSOS Income Statement

## Washington State Opportunity Scholarship

### Income Statements

Income Statement for the Five (5) Months Ending June 30, 2017

	Five Months Ended June 30, 2017			Notes	December 31, 2017
	Actual	Budget	Variance Fav (Unfav)		Annual Budget
<b>Revenue</b>					
Private	731,150	-	731,150	1	3,000,000
Public	1,047	-	1,047		7,000,000
Investment Income	3,241,198	-	3,241,198	2	-
<b>Total Revenue</b>	<b>3,973,394</b>	<b>-</b>	<b>3,973,394</b>		<b>10,000,000</b>
<b>Program Expense</b>					
Salaries and Benefits	506,558	543,282	36,724		1,224,570
Program	224,866	253,279	28,412		525,331
Professional Fees - WA STEM Admin fees	194,607	221,341	26,734		427,230
Professional Fees - Contractors	241,685	146,598	(95,087)	3	214,526
	<b>1,167,717</b>	<b>1,164,500</b>	<b>(3,217)</b>		<b>2,391,657</b>
<b>Income(Loss) before Scholarship Exp</b>	<b>2,805,678</b>	<b>(1,164,500)</b>	<b>3,970,178</b>		<b>7,608,343</b>
<b>Scholarship Expense</b>	<b>(98,990)</b>	<b>21,247,310</b>	<b>21,346,300</b>	4	<b>21,247,310</b>
<b>Net Income (Loss)</b>	<b>2,904,667</b>	<b>(22,411,810)</b>	<b>25,316,477</b>		<b>(13,638,967)</b>



# WSOS Income Statement

## Notes to the Financials

1. Contributions included United Way of \$547K.
2. Investment income not budgeted. Balance includes \$3.17M in unrealized gains.
3. Actual includes CSF transition administration fee of \$35K which was budgeted in admin fees. Other contractors include 72 Degrees LLC and Kinetic West.
4. Accrual for next academic year will be made in future months. Current scholarship expense of \$108K offset by scholarship refunds of \$207K.

WASHINGTON STATE  
**OPPORTUNITY**  
SCHOLARSHIP

# WSOS Cash Flow

## Cash Flow Summary

Inception-To-Date

June 30, 2017

### CASH FLOW

#### Cash Inflow:

Boeing  
Microsoft  
Other Private  
State  
Investment Income

**Total Cash Inflows**

#### Cash Outflow:

Scholarships  
Program Expenses

**Total Cash Outflows**

**Net Cash Flow Inception-To-Date & Balance of  
Cash & Investments June 30, 2017**

WSOS KeyBank Account

**Balance per WSIB Statement June 30, 2017**

**Total**

	Inception - June 30, 2017			
	Scholarship	Endowment	Notes	Total
Boeing	12,500,000	12,500,000		25,000,000
Microsoft	30,000,000	-		30,000,000
Other Private	25,264,045	-	1	25,264,045
State	61,354,750	11,016,414	2	72,371,164
Investment Income	4,991,998	2,591,425	3	7,583,423
<b>Total Cash Inflows</b>	<b>134,110,793</b>	<b>26,107,839</b>		<b>160,218,632</b>
Scholarships	(36,836,277)	-	4	(36,836,277)
Program Expenses	(9,382,032)	(5,812)		(9,387,844)
<b>Total Cash Outflows</b>	<b>(46,218,309)</b>	<b>(5,812)</b>		<b>(46,224,121)</b>
<b>Net Cash Flow Inception-To-Date &amp; Balance of Cash &amp; Investments June 30, 2017</b>	<b>87,892,484</b>	<b>26,102,027</b>		<b>113,994,511</b>
WSOS KeyBank Account	36,485,421	-	5	36,485,421
<b>Balance per WSIB Statement June 30, 2017</b>	<b>51,407,063</b>	<b>26,102,027</b>		<b>77,509,090</b>
<b>Total</b>				<b>113,994,511</b>

# WSOS Cash Flow

## Notes to the Financials

1. Received \$5.25M from Rubens in June.
2. State cash receipt of \$21M in April and is sitting in Scholarship account as of 6/30. Net Endowment portion of \$1.5M to be moved in Q3 2017.
3. Includes net unrealized gain/loss.
4. Scholarship refunds during May/June were higher than expense by \$45K; hence, reduction in scholarship outflow from April report.
5. Funds to be transferred and invested in Q3 2017 in accordance with new ST Investment Policy and guidance from the Finance and Investment Committee, which will both increase investment returns and comply with state policies around public funds.

## **Section 5**

### WSIB Investment Review



**Washington State  
Investment Board**

**WSOS Investment and Finance Committee  
Performance Review  
September 29, 2017**



**Chris Phillips  
Director of Institutional Relations**



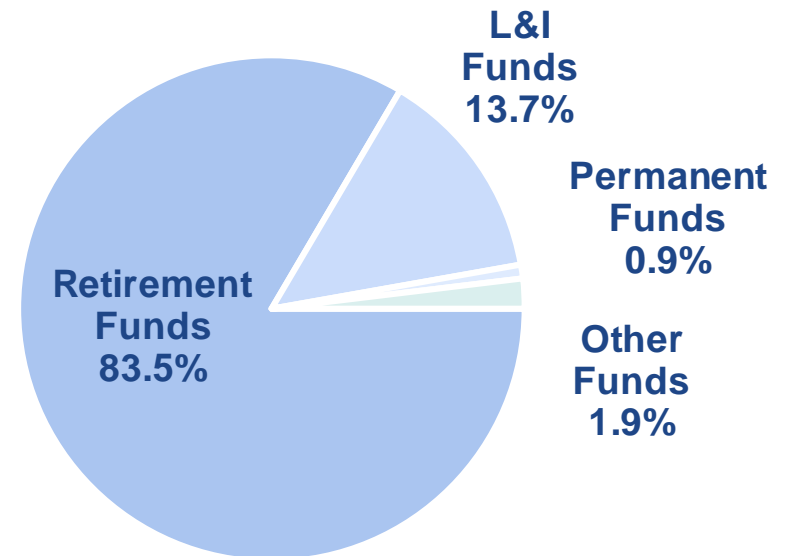
## Overview of WSIB Investment Assets



The WSIB oversees the investment of state retirement funds and other public trust funds for state or public stakeholders.

- ▣ \$120.4 billion assets under management, as of June 30, 2017
- ▣ 17 pension funds
- ▣ 5 Labor and Industries insurance funds
- ▣ 13 Permanent and other trust funds

Retirement Funds	\$100.5	83.5%
L&I Funds	\$16.5	13.7%
Permanent Funds	\$1.0	0.9%
Other Funds	\$2.3	1.9%
<b>Total Assets Under Management</b>	<b>\$120.4</b>	



The WSOS funds falls under  
Other Trust Funds



# WSOS Scholarship/Endowment Funds – Growth of Assets

June 30, 2017



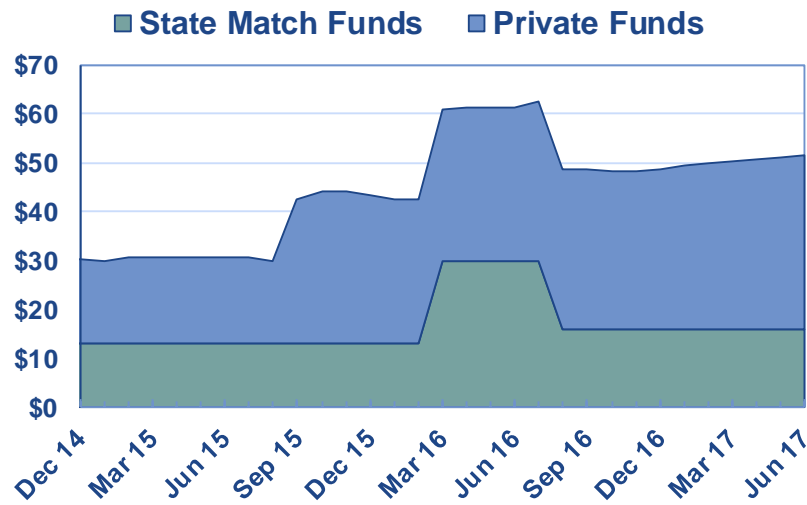
## Scholarship Account

- ▣ Total assets: \$51.4 million
- ▣ 69% private funds and 31% state match funds

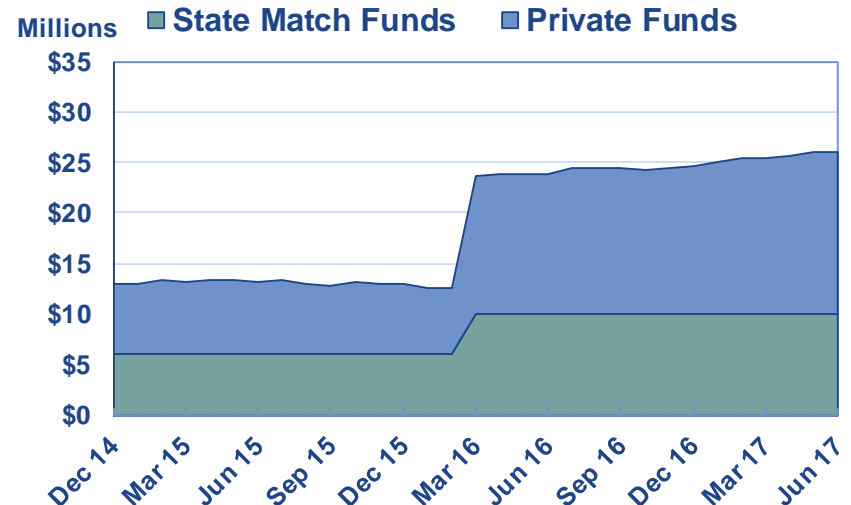
## Endowment Account

- ▣ Total assets: \$26.1 million
- ▣ 61% private funds and 39% state match funds

### Growth of Scholarship Account Assets



### Growth of Endowment Account Assets





# Market Values and Asset Allocation for Private Funds

June 30, 2017

## Scholarship Account – Private Funds

Market Value \$35,472,823



## Equity

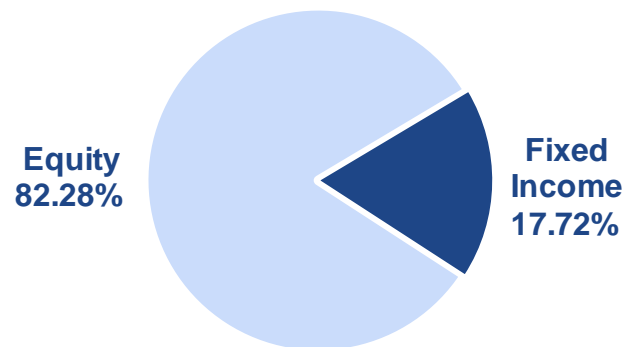
- Passive equity strategy managed by BlackRock
- Expected to closely track the MSCI All Country World Investable Market Index

## 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 \$16,044,646







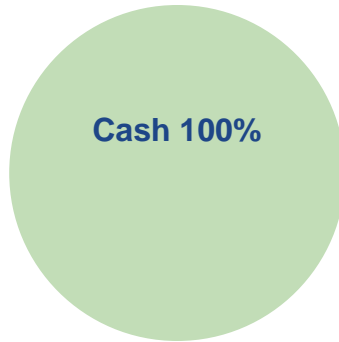
## Market Values and Asset Allocation for State Match Funds

*June 30, 2017*

### Asset Allocation for All State Match Funds

Scholarship Market Value \$15,934,235

Endowment Market Value \$10,057,380



### State Match Funds

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

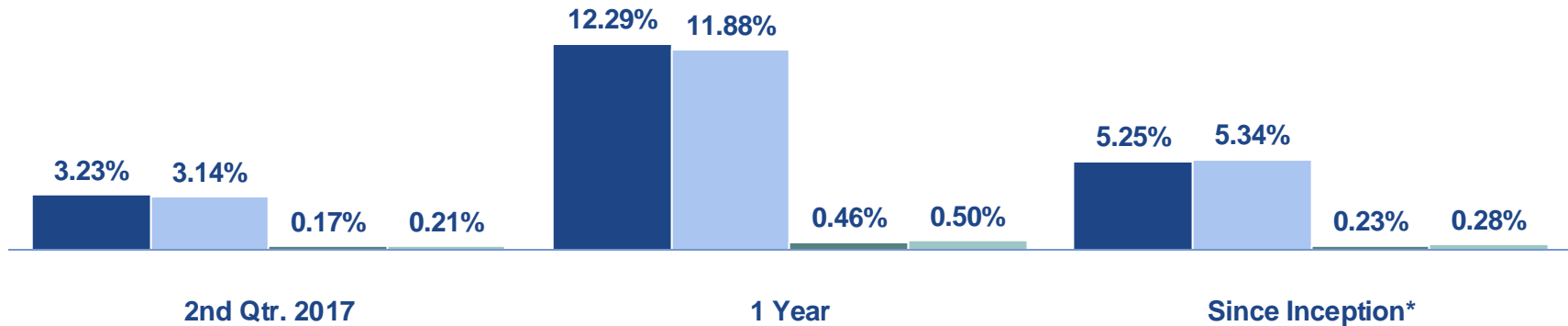


# Fund Performance Updates

June 30, 2017

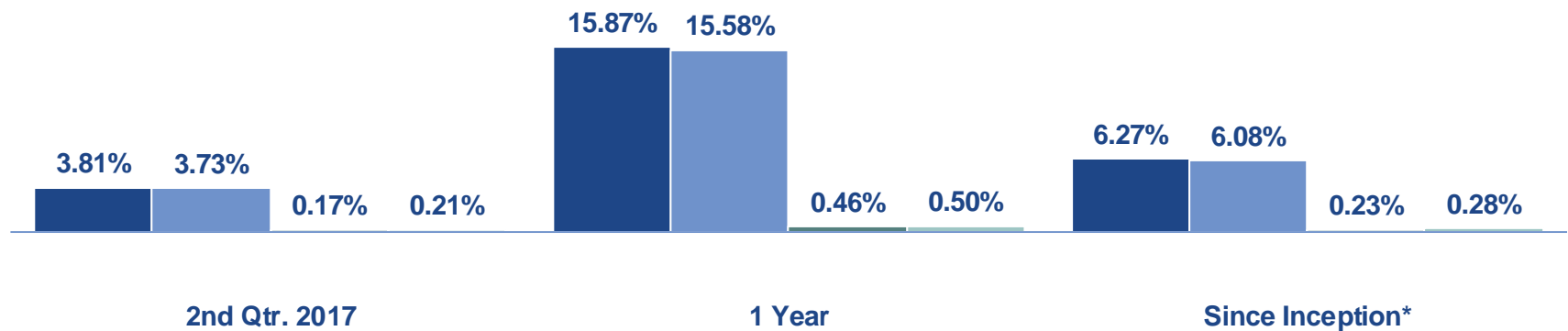
## Private and State Match Scholarship

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



## Private and State Match Endowment

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



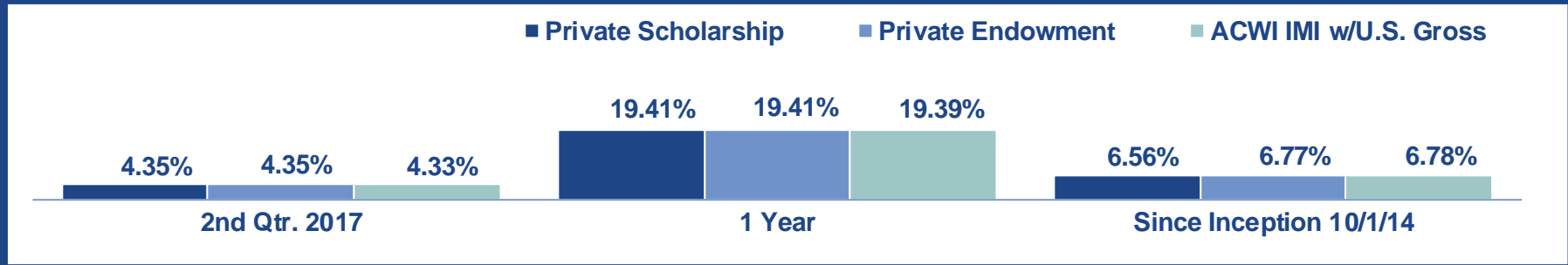
Scholarship Benchmarks: Private 60% MSCI ACWI IMI w/U.S. Gross & 40% Bloomberg Barclays Intermediate Credit, State Match 90 Day T-bill  
 Endowment Benchmarks: Private 80% MSCI ACWI IMI w/U.S. Gross & 20% Bloomberg Barclays Intermediate Credit, State Match 90 Day T-bill  
 \* Since Inception: Private 10/1/14, State Match 11/25/14



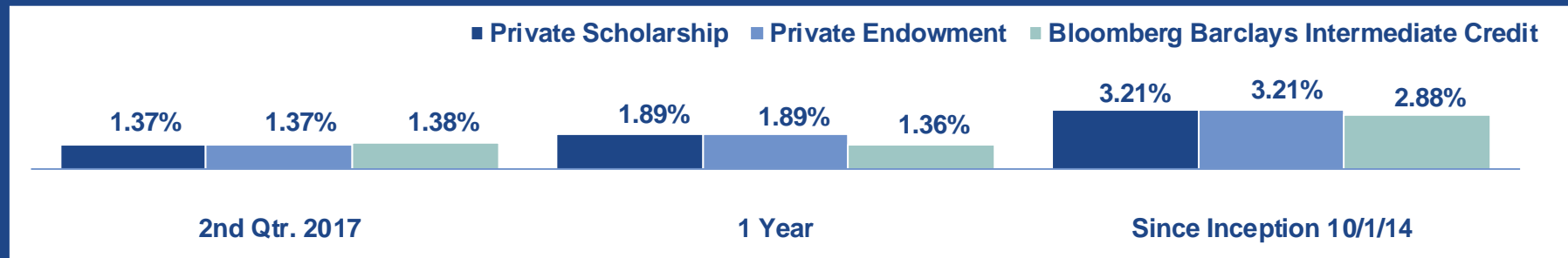
# Fund Performance Updates

June 30, 2017

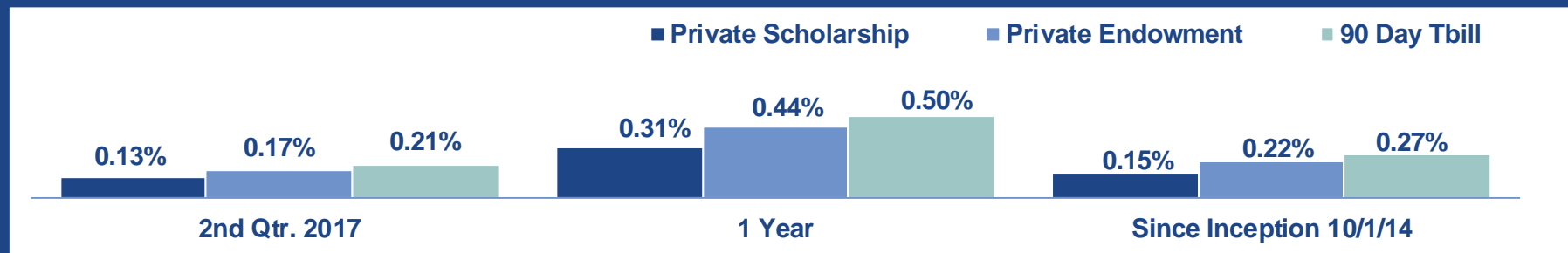
## Equity Returns



## Fixed Income Returns



## Cash Returns



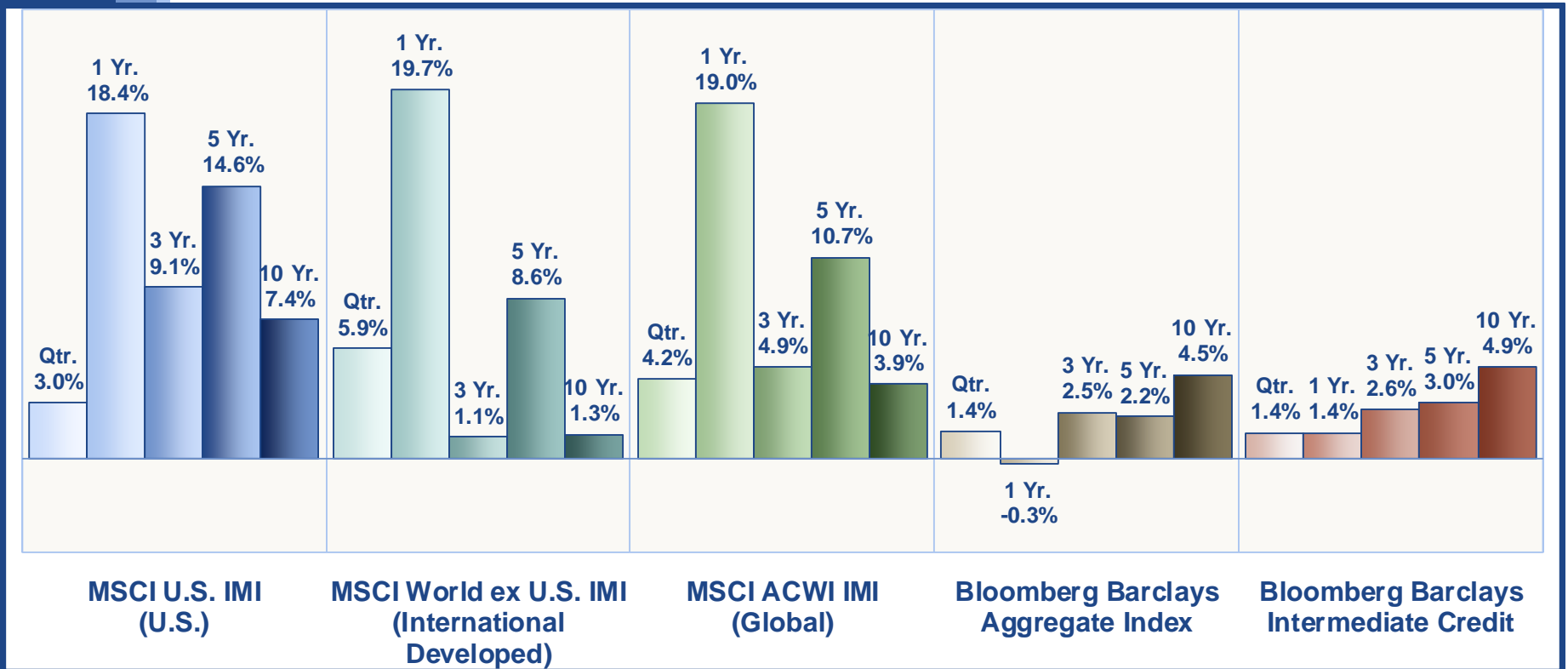
Scholarship Benchmarks: Private 60% MSCI ACWI IMI w/U.S. Gross & 40% Bloomberg Barclays Intermediate Credit, State Match 90 Day T-bill  
 Endowment Benchmarks: Private 80% MSCI ACWI IMI w/U.S. Gross & 20% Bloomberg Barclays Intermediate Credit, State Match 90 Day T-bill  
 \* Since Inception: Private 10/1/14, State Match 11/25/14



# Capital Markets at a Glance

June 30, 2017

- Global equity markets up modestly in June; included pullback in Technology (-1%) and big gains in Financials (+4%)
- US and Canada currently leading world equity returns race; UK and France declined
- Emerging Markets seeing an uptick (+ nearly 1% in June); Greece and Mexico rebounded
- 10-year Treasuries ended June at 2.31%, up from 1.47% a year ago





## Contact Information



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

The screenshot shows the Washington State Investment Board website. The header includes the logo and the tagline "Investing with integrity, prudence, and skill". A search bar is located in the top right. The main content area features a large banner with the text "Delivering investment results for retirement plans & public trusts" and a background image of silhouettes of people in a modern office. To the left of the banner is a navigation menu with categories: INVESTING (Investment Overview, Fund Performance, Investment Reports), INFORMING (Board Info, Committees, WSIB Staff, News & Resources, Contact Us), ENGAGING (Responsible Investing, Corporate Governance, Risk), and EMPLOYING (Searches, Jobs). Below the banner are four boxes: "FEATURES" (Glossary, FAQ, Resources, Directions & Map), "POPULAR PICKS" (IRR Report, Quarterly Report, Risk Framework, Policies), "NEED INFO?" (with question mark icons), and "WSIB STORY" (with an upward arrow icon).

### Address:

2100 Evergreen Park Drive SW

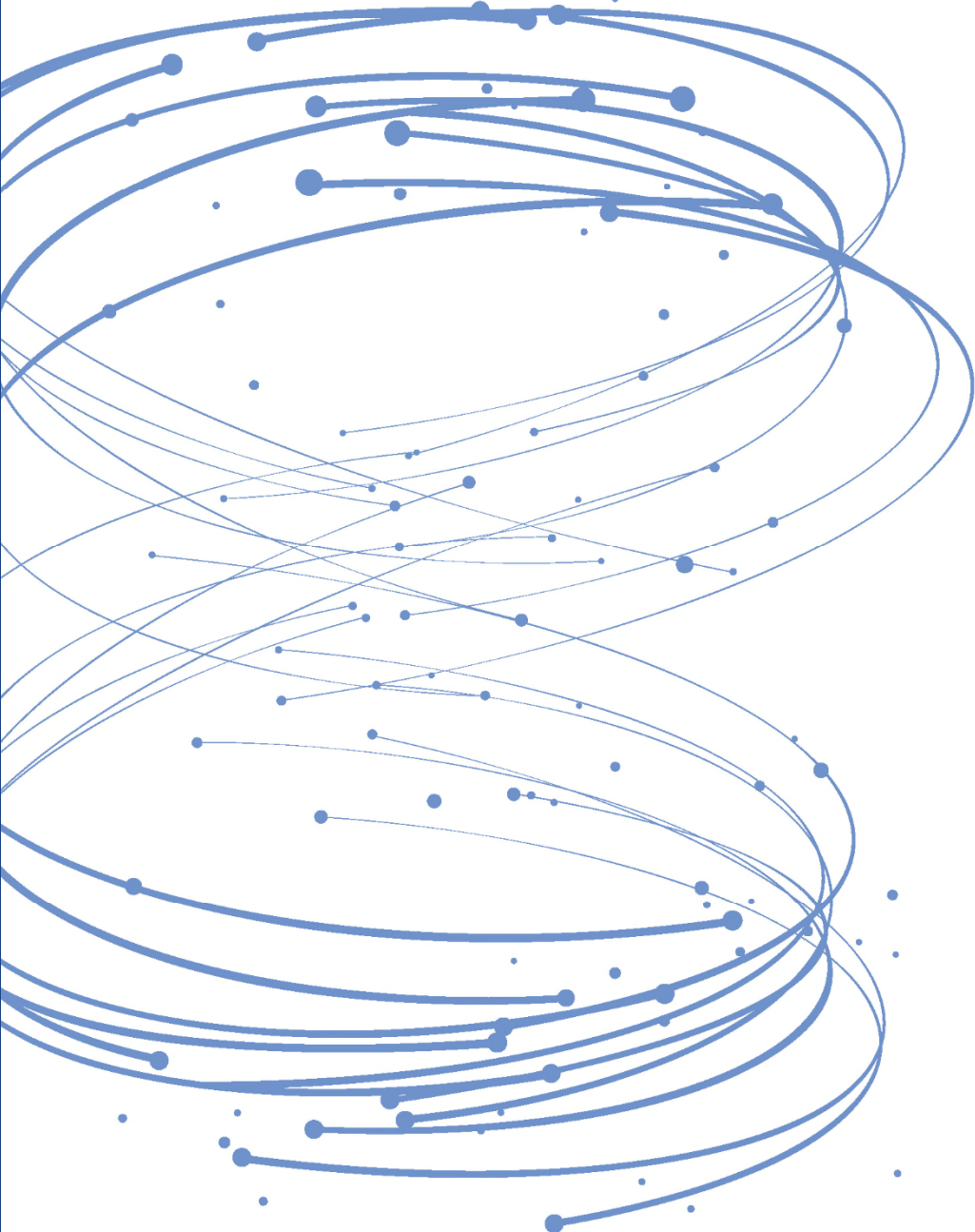
P.O. Box 40916

Olympia, WA 98504-0916

### Phone Number:

(360) 956-4600

# WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUNDS





**Independent Auditor's Report**

To the Members of the Washington State Investment Board  
Olympia, Washington

**PENDING**

*Eide Bailly LLP*

Boise, Idaho

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### Management Discussion and Analysis

Management's Discussion and Analysis for the Washington State Opportunity Scholarship Fund (WSOSF), managed by the Washington State Investment Board (WSIB), is presented as an introduction to the financial statements. It is meant to assist the reader in understanding the financial statements by providing an overall review of the financial activities during the year, as well as to provide a comparison to the prior year's activities and results. The WSIB manages funds for other Washington State departments. This section of the report covers the WSOSF only.

The financial statements and footnotes follow this section of the report. The Statement of Net Investment Position provides information on the types of investments, assets, and liabilities of the WSOSF, as of June 30, 2017. The Statement of Changes in Net Investment Position provides information on investment performance and other increases and decreases in the net investment position of the WSOSF, for the year ended June 30, 2017. The following table compares the net investment position of each major investment classification at June 30, 2017, with those at June 30, 2016. In addition, they summarize the changes in each major investment classification for the fiscal year ended June 30, 2017 and 2016, as well as compare investment performance and other relevant information between the two reporting periods. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements of the WSOSF.

**As shown in the following table**, the net investment position of the WSOSF decreased by \$(7.8) million during the fiscal year ended June 30, 2017. Net withdrawals from the WSOSF during the year decreased net investment position by \$(14.0) million and were liquidated from cash balances. Net investment income increased net investment position by \$6.2 million and was reinvested in the various asset classes of the WSOSF.

Net investment income increased by \$5.6 million during the current fiscal year as compared to the prior year, mainly due to a large increase in net realized and unrealized gains and losses. The current fiscal year return for the WSOSF was 8.3 percent compared to the prior fiscal year return of -0.5 percent. The increase in total returns was due to a substantial increase in investment returns in the equity portfolio, which represents 46 percent of the net investment position of the WSOSF at June 30, 2017. The increase in returns was offset partially by a substantial decrease in returns over the prior fiscal year in the debt portfolio.

The WSOSF withdrew \$(14.0) million for operations and tuition payments budgeted for Fiscal Year 2017. In the prior fiscal year, \$41.0 million was invested by the WSOSF from private donations and state matching funds. These changes resulted in a net contribution and withdrawal decrease from the prior fiscal year \$(55.0) million. It is anticipated that an additional \$2.5 million will be contributed by the WSOSF in September 2017 from state matching funds which will be invested in cash by the WSIB. An additional \$14.0 million will be contributed by October 31, 2017, from private donations which will be split, based on the asset allocation at the time of contribution, between debt and equity securities. Currently, the WSOSF is researching investment options in an effort to increase returns. They are considering withdrawing funds within the next fiscal year currently invested in cash as shown in the accompanying financial statements. The total cash balance under consideration for withdrawal is \$15.9 million at June 30, 2017.

Investment income receivable and expenses are reflected in each asset class's net investment position. These balances fluctuate from year to year based on invested balances, average coupon rates, and dividend yields.



# WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUNDS

Summarized Change in Net Investment Position and Returns by Asset Class										
	Fiscal Year End June 30, 2017				Fiscal Year End June 30, 2016				Year Over Year Change	
	Cash and Cash Equivalents(*)	Debt Securities	Equity Securities (*)	Total	Cash and Cash Equivalents	Debt Securities	Equity Securities	Total	Increase (Decrease)	Percent Change
<b>Beginning Net Investment Position</b>	\$ 39,877,596	\$ 15,626,302	\$ 29,810,188	\$ 85,314,086	\$ 19,004,279	\$ 8,336,768	\$ 16,427,496	\$ 43,768,543	\$ 41,545,543	94.9%
Investment Income:										
Interest, Dividends, and Other Investment Income	178,564	-	5,860	184,424	88,855	-	5,203	94,058	90,366	96.1%
Realized and Unrealized Gains (Losses)	-	295,280	5,795,919	6,091,199	-	789,534	(237,930)	551,604	5,539,595	1004.3%
Less: Investment Expenses	(63,602)	(4,770)	(16,826)	(85,198)	(55,394)	(3,591)	(14,134)	(73,119)	12,079	-16.5%
Net Investment Income	114,962	290,510	5,784,953	6,190,425	33,461	785,943	(246,861)	572,543	5,617,882	981.2%
Net Contribution (Withdrawal) by WSOSF	(13,984,000)	-	-	(13,984,000)	40,973,000	-	-	40,973,000	(54,957,000)	-134.1%
Transfers to Other Asset Classes	(5,145)	4,770	375	-	(20,133,144)	6,503,591	13,629,553	-	-	NA
<b>Ending Net Investment Position</b>	\$ 26,003,413	\$ 15,921,582	\$ 35,595,516	\$ 77,520,511	\$ 39,877,596	\$ 15,626,302	\$ 29,810,188	\$ 85,314,086	\$ (7,793,575)	-9.1%

<b>Change in Net Investment Position</b>	\$ (13,874,183)	\$ 295,280	\$ 5,785,328	\$ (7,793,575)
<b>Percentage Change in Net Investment Position</b>	-34.8%	1.9%	19.4%	-9.1%

<b>One Year Time Weighted Return - June 30, 2017</b>	0.5%	1.9%	19.4%	8.3%
<b>One Year Time Weighted Return - June 30, 2016</b>	0.1%	5.3%	-3.9%	-0.5%

(\*) Net investment position by asset class includes investment earning receivable and accrued expenses

## WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUNDS

The following summarizes the changes in net investment position for each main investment category in the previous table:

- **Cash and cash equivalents** net investment position decreased by \$(13.9) million during the current fiscal year almost entirely due to withdrawals from the state matching fund accounts that are invested in Short-Term Investment Funds (STIF). The WSOSF withdrew \$(14.0) million during the in order to fund operating costs and scholarships for the year. Interest rates on cash and cash equivalents rose during the current fiscal year contributing to the \$0.1 million increase in interest income within the cash portfolio despite a reduction of cash balances over the prior fiscal year end. Cash returns for the one year period ended June 30, 2017, was 0.5 percent. The substantial increase over the prior year return of 0.1 percent increased interest income by \$0.1 million as compared to the prior fiscal year. Short-term interest rates have risen over the past fiscal year as a result of Federal Reserve Actions. The Federal Reserve has increased the target range for the federal funds rate three times during the current fiscal year for a total of 75 basis points.
- **Debt securities** net investment position increased by \$0.3 million. This increase is due primarily to the net realized and unrealized gains reinvested within the debt portfolio. The WSOSF invests in commingled investment fund, the Daily Valued Bond Fund, managed by the WSIB. Accordingly, interest income is retained and reinvested within the commingled fund and is reflected in net realized and unrealized gains and losses in these financial statements. The Daily Valued Bond Fund received coupon interest payments in excess of market related declines resulting in a net realized gain within the WSOSF's debt position. The return of the portfolio for the current fiscal year end was 1.9 percent which is a substantial decrease over the prior fiscal year end return of 5.3 percent. This resulted in a decrease of net realized gains from the previous fiscal year of \$(0.5) million.

The reduction in returns is the result of a rising interest rate environment during fiscal year ended June 30, 2017. Generally, higher yields on debt securities translated to lower prices, while an improved economic outlook resulted in tighter yield spreads. Credit bonds outperformed treasuries. Lower credit quality and emerging market credit bonds performed the best of all. For the 12 months ended June 30, 2017, long maturity treasuries dramatically underperformed short maturity ones, while longer maturity credit bonds generally outperformed shorter maturity credits. Performance for the Daily Valued Bond Fund, an intermediate credit fund, was positive for the year, with the portfolio outperforming its benchmark return of 1.4 percent, primarily due to exposure to emerging markets.

Reflecting general political uncertainty in the United States, U.S. Treasury yields increased in the months leading up to the election, and then rose sharply after the election into the end of the year with the anticipation of new fiscal policies for tax reform, infrastructure spending, trade, and health care. For the last six months of the fiscal year, interest rates generally moved up and down around the year end level. Even with higher yields on debt securities, the global low interest rate environment persisted for the fiscal year, due to central bank policies, modest economic growth, and low inflation.

See Daily Valued Funds audited financials for additional information on this investment vehicle.

- **Equity securities** net investment position increased by \$5.8 million entirely due to net realized and unrealized gains within the portfolio. The equity portfolio returned 19.4 percent during the current fiscal year as compared to the prior fiscal year return of -3.9 percent. This resulted in an increase of net realized and unrealized gains and losses over the prior fiscal year of \$6.0 million.

The WSOSF currently invests in a global equity portfolio containing both U.S. and non-U.S. equities. Overall, the U.S. equity market returned 18.4 percent and the non-U.S. market gained 20.4 percent as measured by Morgan Stanley Capital International (MSCI) indices, which are broad barometers of overall market returns. The equity portfolio of the WSOSF posted a 19.4 percent return for this fiscal year. Investors continued to find global equities an attractive investment in a low interest rate environment and the non-U.S. equity market performed relatively better versus the U.S. equity markets. The U.S. dollar had mixed results versus the performance of other currencies. Several non-U.S. equity markets posted strong local market returns and benefitted from the U.S. dollar depreciating in some non-U.S. markets. Generally, the local market returns benefitted from the non-U.S. markets being relatively cheaper than the U.S. equity market at the beginning of the fiscal year coupled

with the expectation that the U.S. will not significantly out produce other large global markets in terms of Gross Domestic Product (GDP) growth. In the U.S., smaller cap stocks generally outperformed larger cap stocks, as well as the broader market.

The fair value of the WSOSF net investment position is directly impacted by the returns of the various capital markets within which the WSIB invests, and the returns are expected to have a significant effect on financial position and results of operations in the future. However, one of the benefits of diversification gained by investing across various investment types, as well as broadly within an asset class, is the reduction in aggregate volatility of the total investment portfolio. The WSIB staff rebalances the WSOSF's assets between asset classes as markets move, pursuant to WSIB policy.

## WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUNDS

### Washington State Opportunity Scholarship Fund (WSOSF) Statement of Net Investment Position - June 30, 2017

See notes to financial statements

	WSOSF - Scholarship Fund	WSOSF - Endowment Fund	WSOSF - Cash Reserve	Total	Percent of Total
<b>ASSETS</b>					
Investments:					
CASH AND CASH EQUIVALENTS					
Short Term Investment Funds	\$ 15,923,924	\$ 10,051,399	\$ 11,418	\$ 25,986,741	33.5%
DEBT SECURITIES					
Commingled Intermediate Credit	13,078,512	2,843,070	-	15,921,582	20.6%
EQUITY SECURITIES					
Commingled Equity Index Funds	22,399,636	13,204,185	-	35,603,821	45.9%
Total Investments	51,402,072	26,098,654	11,418	77,512,144	100.0%
Investment Earnings Receivable	12,974	8,189	10	21,173	
Total Assets	51,415,046	26,106,843	11,428	77,533,317	
<b>LIABILITIES</b>					
Accrued Expenses Payable	7,987	4,817	2	12,806	
<b>NET INVESTMENT POSITION</b>	<b>\$ 51,407,059</b>	<b>\$ 26,102,026</b>	<b>\$ 11,426</b>	<b>\$ 77,520,511</b>	

# WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUNDS

## Washington State Opportunity Scholarship Fund (WSOSF) Statement of Changes in Net Investment Position - Year Ended June 30, 2017

See notes to financial statements

	WSOSF - Scholarship Fund	WSOSF - Endowment Fund	WSOSF - Cash Reserve	Total
<b>Net Investment Income</b>				
Investment Income:				
Interest, Dividends and Other Investment Income	\$ 115,903	\$ 68,478	\$ 43	\$ 184,424
Net Realized and Unrealized Gains	3,888,972	2,202,227	-	6,091,199
Less:				
Investment Expenses	(45,361)	(26,340)	(12)	(71,713)
WSIB Operating Expenses	(9,581)	(3,904)	-	(13,485)
Net Investment Income	3,949,933	2,240,461	31	6,190,425
Cash Transfers	9,903	4,087	(13,990)	-
Net Amount Contributed (Withdrawn)	(14,000,000)	-	16,000	(13,984,000)
<b>Increase in Net Investment Position</b>	<b>(10,040,164)</b>	<b>2,244,548</b>	<b>2,041</b>	<b>(7,793,575)</b>
<b>Net Investment Position, June 30, 2016</b>	<b>61,447,223</b>	<b>23,857,478</b>	<b>9,385</b>	<b>85,314,086</b>
<b>Net Investment Position, June 30, 2017</b>	<b>\$ 51,407,059</b>	<b>\$ 26,102,026</b>	<b>\$ 11,426</b>	<b>\$ 77,520,511</b>

## Notes to Financial Statements

### Note 1. Description of Funds and Significant Accounting Policies

#### Description of Funds

The Washington State Opportunity Scholarship Fund (WSOSF) was created by the Washington State Legislature in 2011 to encourage student participation in high employer-demand programs of study. The investment responsibility for the WSOSF is granted to the Washington State Investment Board, in accordance with RCW 28B.145.090. The WSOSF is comprised of two distinct pools of assets, each funded by a mix of private funds and state matching funds. The two pools are the scholarship and endowment accounts, as created by RCW 28B.145.040. The financial statements present only the activity of the WSOSF as managed by the WSIB. The financial statements do not present the financial position and results of operations of the WSIB or the activity of the WSOSF not managed by the WSIB.

#### Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States for governments, prescribed by the Governmental Accounting Standards Board (GASB) on the accrual basis of accounting.

#### Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments comprised of short-term investment funds valued at cost. Accordingly, these investments are excluded from the fair value schedule in Note 4 to the basic financial statements.

#### Valuation of Investments

Investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges, and security pricing services. Investments are adjusted to fair values monthly. Unrealized gains and losses are included as investment income in the Statement of Changes in Net Investment Position.

#### Revenue Recognition

Interest and dividend income are recognized when earned. Capital gains and losses are recognized on a trade date basis. Purchases and sales of investments are also recorded on a trade date basis.

#### Contributions and Withdrawals

Contributions and withdrawals are recorded when received or paid.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

### Note 2. Fees and Expenses

Investment fees and expenses are accounted for as a reduction of investment income or are netted directly from the asset value of the WSOSF's investments. These fees include investment management fees and commissions, investment consultant fees, legal fees, and other investment management related expenses. The WSIB operating expenses are charged to the funds based upon actual costs incurred to manage the investments. The WSIB operating expenses are allocated to the funds under management based on relative market values, in accordance with state statutes.

### Note 3. Deposit and Investment Risk Disclosures

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event a depository institution or counterparty fails, the WSOSF will not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2017, investment securities (excluding cash and cash equivalents) are registered and held in the name of the WSIB, for the benefit of the WSOSF, and are not exposed to custodial credit risk. There are no general policies relating to custodial credit risk.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. The WSOSF's investment policies require the duration range for the commingled intermediate credit fund not exceed plus or minus 15 percent of the Bloomberg Barclays U.S. Intermediate Credit Index. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments.

Schedules 1 and 2 provide information about the interest rate risks associated with the WSOSF investments, as of June 30, 2017. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. Fixed income securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

#### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WSOSF's investment policies limit the fixed income securities to U.S. Inflation Indexed Bonds, and an internally managed bond fund consisting of corporate and foreign government and agency bonds. All fixed income securities must be investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB.

The WSOSF's rated debt investments as of June 30, 2017, were rated by Moody's or equivalent rating methodology.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. RCW 43.33A.140 requires the cost of corporate fixed income securities may not exceed 3 percent of the WSOSF fair value at the time of purchase, nor shall its fair value exceed 6 percent of the WSOSF Funds' fair value at any time. There was no concentration of credit risk that exceeded these limits as of June 30, 2017.

#### Foreign Currency Risk

Foreign currency risk is defined as any deposits or investments that are denominated in foreign currencies, which bear a potential risk of loss arising from changes in currency exchange rates. The WSOSF has no formal policy to limit foreign currency risk. The only security held by the WSOSF with foreign currency exposure at June 30, 2017, consists of \$35.6 million invested in an international commingled equity index funds (MSCI All Country World Investible Market Index). The WSOSF's exposure to foreign currency risk is presented in Schedule 3.

### Note 4. Fair Value

GASB Statement No. 72, Fair Value Measurement and Application, (Statement 72) specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in three broad levels listed below:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in markets that are active; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the assets or liabilities (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

The WSOSF obtains exposure to debt and equity markets through commingled investment funds. Accordingly, the securities held are measured at net asset value and not categorized by Statement 72 hierarchy of valuation classifications detailed above. Valuation policies and procedures are managed by the Investment Accounting and Administration unit of the WSIB, which regularly monitors fair value measurements. Fair value measurements are prepared and reviewed monthly, and any third party valuations are reviewed for reasonableness and compliance with relevant accounting standards.

### Commingled Investment Funds (Investments Measured at Net Asset value)

The WSOSF invest in Collective Investment Trusts operated by a bank or trust company and groups assets contributed into a commingled investment fund. In addition, the WSOSF invests in the Daily Valued Bond Fund managed by the WSIB, whose audited financials are included in the Daily Valued Fund section of the WSIB's audited financial statements. These "mutual or commingled fund" type investments are not available to the general public and are open-ended funds which issues or reduces shares for purchases and redemptions. The fund manager determines a price per unit of each fund by obtaining fair values of the underlying holdings, using reputable pricing sources and computing an overall net asset value per share.

The commingled equity index fund is invested in publicly traded equity securities, which are passively managed to approximate the capitalization weighted rates of return for the broad global stock market, as defined by the Morgan Stanley Capital International All Country World Investable Market Index (MSCI ACWI IMI). The fund has daily openings and contributions, and withdrawals can be made on any business day. The fund manager, at its discretion, may require withdrawal proceeds to be made partially or wholly in kind. Under certain circumstances, the fund manager may choose to suspend valuation and/or the right to make contributions and withdrawals from the fund. Such circumstances include actual or anticipated closure, restriction, or suspension of trading activity in any markets or exchanges where the fund investments are traded, where the purchase, sale, or pricing of the fund's investments would not be reasonably practicable or advisable, or where suspending contributions or withdrawals would be in the best interest of the fund or participants.

The commingled intermediate credit fund is invested in publicly traded debt securities within the WSIB Daily Bond Fund, which is actively managed to meet or exceed the return of the Bloomberg Barclays U.S. Intermediate Credit Index. The WSOSF may redeem some or all of their holdings on any business day without restriction (see the Daily Valued Funds audited financials issued by the WSIB for further information).



## WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUNDS

The following table presents fair value measurements at June 30, 2017:

INVESTMENTS	Fair Value
INVESTMENTS MEASURED AT NET ASSET VALUE	
Commingled Equity Index Funds	\$ 35,603,821
Commingled Intermediate Credit	15,921,582
Total Investments at Net Asset Value	<u>51,525,403</u>
 Total Investments Measured at Fair Value	 <u><u>\$ 51,525,403</u></u>

### Note 5. Summary of Investment Policy

Under RCW 43.33A.030, trusteeship of WSOSF is vested within the voting members of the WSIB. The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the following investment objectives.

In accordance with RCW 43.33A.110, the portfolio is managed to achieve a maximum return at a prudent level of risk. The key determinate is identifying the prudent level of risk for a program relative to the needs of the WSOSF Board. Based on this requirement, the order of the objectives shall be:

- Maintain the financial stability of the program.
- Ensure sufficient assets are available to fund the scholarship goals of the program over a 10-year time horizon.
- Subject to the above, manage the assets to achieve a maximum return at a prudent level of risk.
- Invest in a manner that will not comprise the confidence in the program.

### Risk Constraint Standards

- All assets under management by the WSIB are to be invested to maximize return at a prudent level of risk, in accordance with the requirements of RCW 43.33A.110 and RCW 43.33A.140, subject to the unique risk tolerances of the WSOSF program.
- No corporate fixed income issue's cost shall exceed 3 percent of the fund's market value at the time of purchase, nor shall its market value exceed 6 percent of the fund's market value at any time (RCW 43.33A.140).
- Diversify the assets at a prudent level to moderate fluctuations in the fair value of the program.

### Scholarship and Endowment Account

The state provides matching funds to WSOSF to fund scholarships in partnership with private corporations. Investment eligibility of the matching funds is determined by the state constitution and laws. Private funds held in the scholarship account are comprised of donations from corporations and individuals and are not subject to state constitution investment eligibility guidelines.

### Permissible Investments – State Matching Funds

The investment eligibility of the state matching funds is determined by the state constitution and laws as follows:

- Government agencies and U.S. Treasuries.

- Short-Term Investment Funds (STIF) that invest strictly in U.S. government or agency instruments, including repurchase agreements.

# WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUNDS

## Asset Allocation

State Matching Funds - Scholarship and Endowment		
	Target	Range
Cash	100%	100

Private Fund Scholarship		
	Target	Range
Cash	0%	0%-5%
Public Equity	60%	55%-65%
Fixed Income	40%	35%-45%

Private Fund Endowment		
	Target	Range
Cash	0%	0%-5%
Public Equity	80%	75%-85%
Fixed Income	20%	15%-25%

The public equity component will be invested to track the return of the MSCI All Country World Investible Market Index (MSCI ACWI IMI). The fixed income component is invested in the WSIB Bond Market Fund, with a benchmark of the Bloomberg Barclays U.S. Intermediate Credit Index. In addition, the WSIB Bond Market Fund duration range shall not exceed plus or minus 15 percent of the duration of this index.

# WASHINGTON STATE OPPORTUNITY SCHOLARSHIP FUNDS

## Schedule 1: Schedule of Maturities and Credit Ratings

Investment Type	Total Fair Value	Maturity				Effective Duration	Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years		
Commingled Intermediate Credit	\$ 15,921,582	\$ 2,176,702	\$ 7,293,419	\$ 6,451,461	\$ -	4.7	Schedule 2
<b>Investments Not Required to be Categorized</b>							
Commingled Equity Index Funds	35,603,821						
Short Term Investment Funds	25,986,741						
Total Investments Not Categorized	61,590,562						
Total Investments	\$ 77,512,144						

## Schedule 2: Additional Credit Rating Disclosures

Moody's Equivalent Credit Rating	Commingled Intermediate Credit
	Market Value
Aaa	\$ 1,423,525
Aa1	125,723
Aa2	168,199
Aa3	1,396,027
A1	2,331,764
A2	1,647,039
A3	2,272,457
Baa1	1,803,495
Baa2	2,457,424
Baa3	1,745,743
Ba1 and Lower	550,186
Total Fair Value	\$ 15,921,582

Schedule 3: Foreign Currency Exposure

Foreign Currency Denomination	Equity Securities	Percent of Total Investments
AUSTRALIAN DOLLAR	\$ 818,823	1.1%
BRAZILIAN REAL	252,487	0.3%
CANADIAN DOLLAR	1,117,788	1.4%
SWISS FRANC	950,357	1.2%
DANISH KRONE	213,367	0.3%
EURO CURRENCY	3,692,968	4.8%
POUND STERLING	2,102,768	2.7%
HONG KONG DOLLAR	1,176,779	1.5%
INDIAN RUPEE	378,987	0.5%
JAPANESE YEN	2,889,802	3.7%
SOUTH KOREAN WON	628,707	0.8%
SWEDISH KRONA	389,578	0.5%
NEW TAIWAN DOLLAR	526,082	0.7%
SOUTH AFRICAN RAND	254,917	0.3%
OTHER MISCELLANEOUS CURRENCIES	1,143,697	1.5%
Total Foreign Currency Exposure	<u>\$ 16,537,107</u>	<u>21.3%</u>

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# **Tab E**

## **WSOS Growth Options Presentation**

# GROWTH OPTIONS ANALYSIS & RECOMMENDATION

## EXECUTIVE SUMMARY & KEY CONCLUSIONS

PRESENTED AT WSOS BOARD MEETING | OCTOBER 2, 2017



# Context

Due to revisions in historical and current retention rates in the scholarship model, there is ~\$51M in available funds available for Board investment (**\$38.6M** from adjustments in the retention rates and **\$15.4M in projected additional investment and donation income**).

Board asked WSOS how to best use funds; we investigated 4 options:

Option 1	Option 2	Option 3	Option 4
Increase \$ per scholar	Increase # of scholars	Improve scholar retention	Extend to Fall Start 2025 (Cohort 14)

## **Methodology: What we did**

**Reviewed literature and best practices locally and nationally**

**Interviewed current WSOS Scholars and Alums**

**Interviewed leaders from successful college access and college success programs**

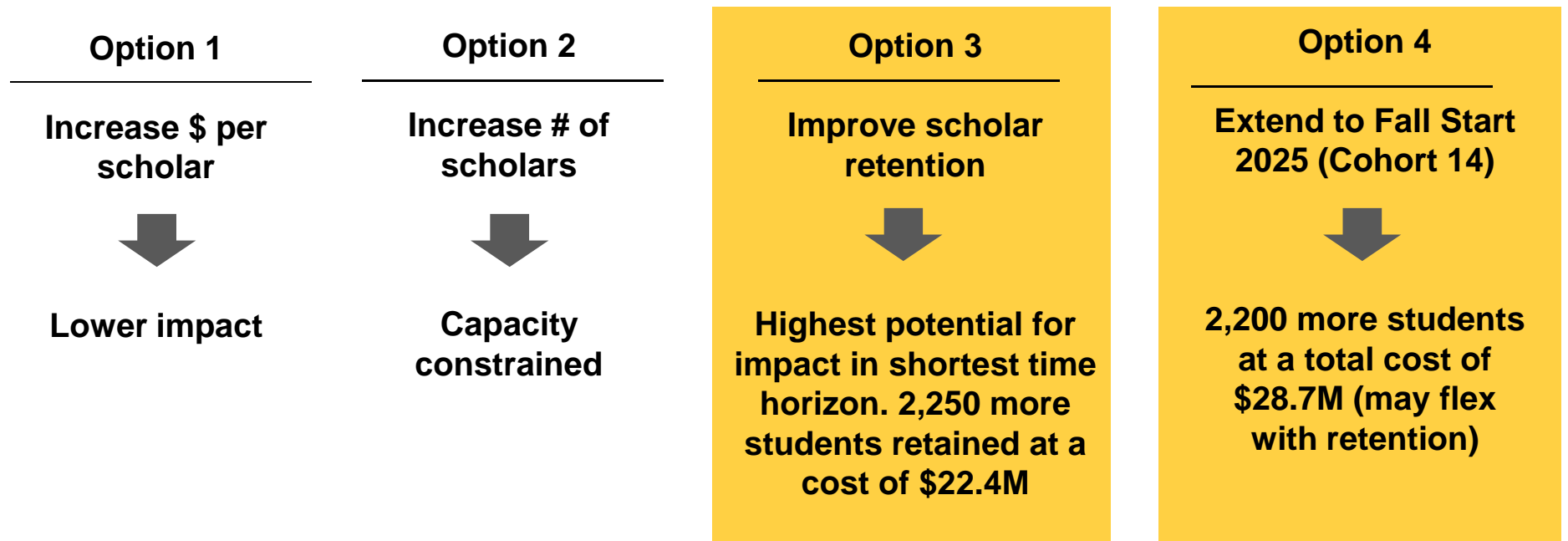
**Evaluated existing internal data on scholars including retention, participation in programs, graduation rates, etc.**

**Conducted and assessed early results of WSOS Cohort 1-3 Alumni Survey**

**Convened community leaders & experts in a “Jam Session”**

**We engaged scholars early and throughout the research and consideration process**

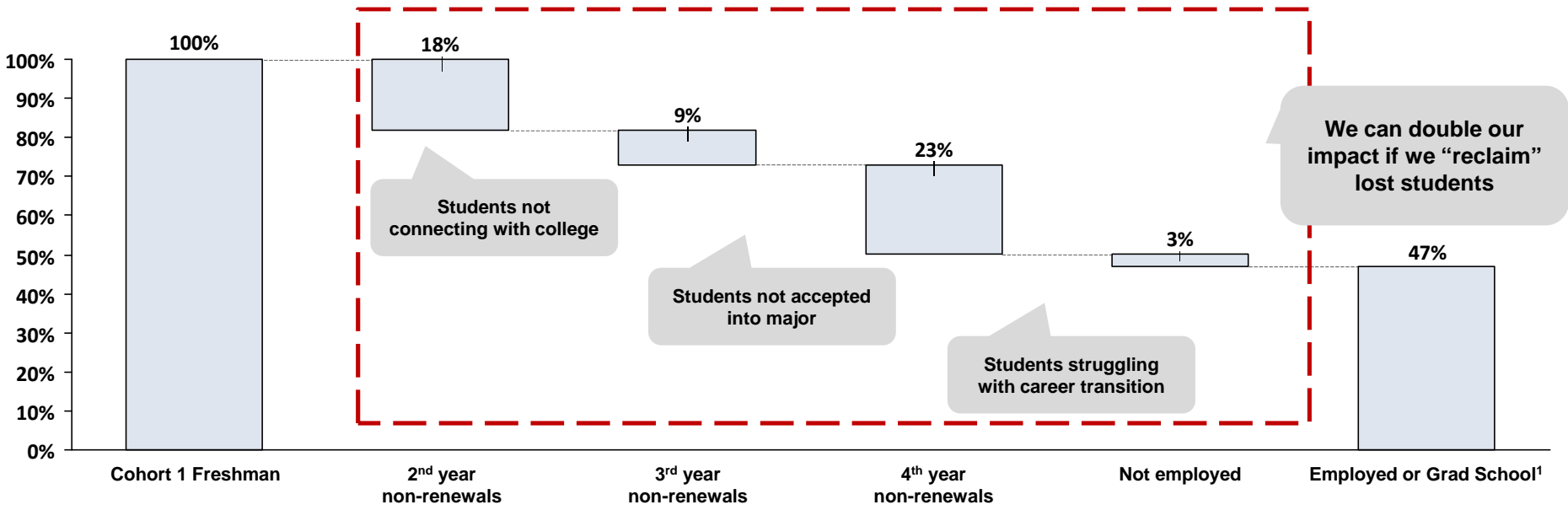
# Options & Recommendations



**We recommend investing in support services to improve scholar retention (Option 3) and extending the duration of the program (Option 4)**

# If we support our students more effectively, we can increase our impact without growing our scholarship

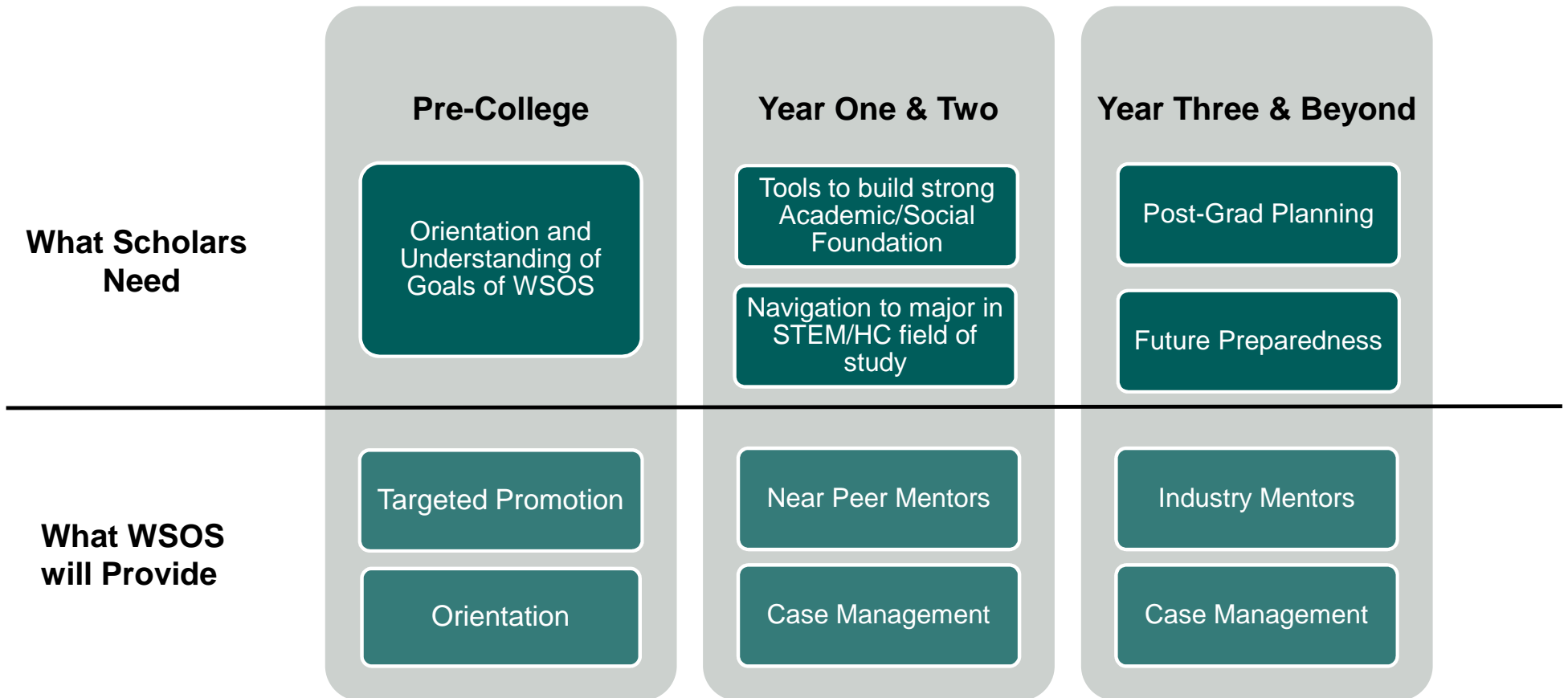
*Work-in-progress estimates based on first “full class” (e.g. Cohort 1 entering as freshmen)*



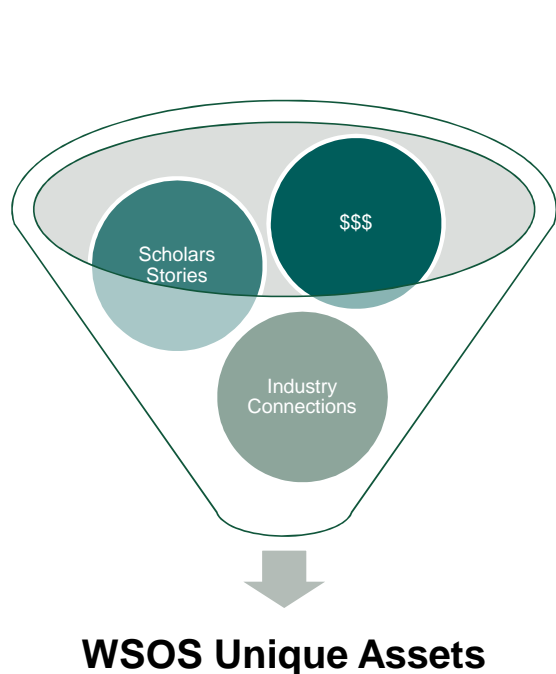
**Improving retention by 30 percentage points (for Cohort 6-10) would increase the number of WSOS scholars achieving employment or grad school entrance by graduates by ~1000**

Source: WSOS analysis; 1. Likely slightly overestimated based on assumption that all 4-year renewals eventually graduate

# Scholar needs vary by year: we must provide full-cycle support



# Recommended Investment #1: Launch “Near-Peer Leaders” (NPL) & industry connection programs to improve retention at every stage



## Freshman & Sophomore retention

---

- **100% participation in Opportunity Launch – led by NPLs**
- **Provide personal connection via NPL 1:20 ratio**
- **Touchpoints when it matters most (exams, application to majors)**

## Junior & Senior retention

---

- **Paid internship opportunity to serve as NPL: both \$ and experience**
- **Opportunity to interact with corporate leaders via “hackathon” type sessions focused on improving WSOS**
- **First Cohort: Opportunity to co-design program**

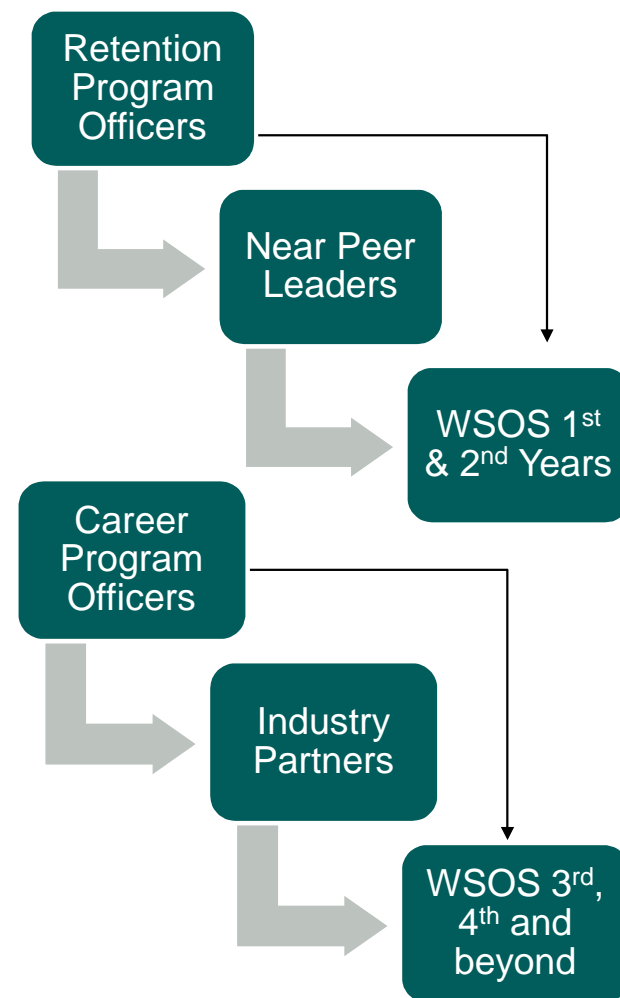
# “Near-Peer Leaders” will complement the role of Program Officers

## “Near-Peer Leaders”

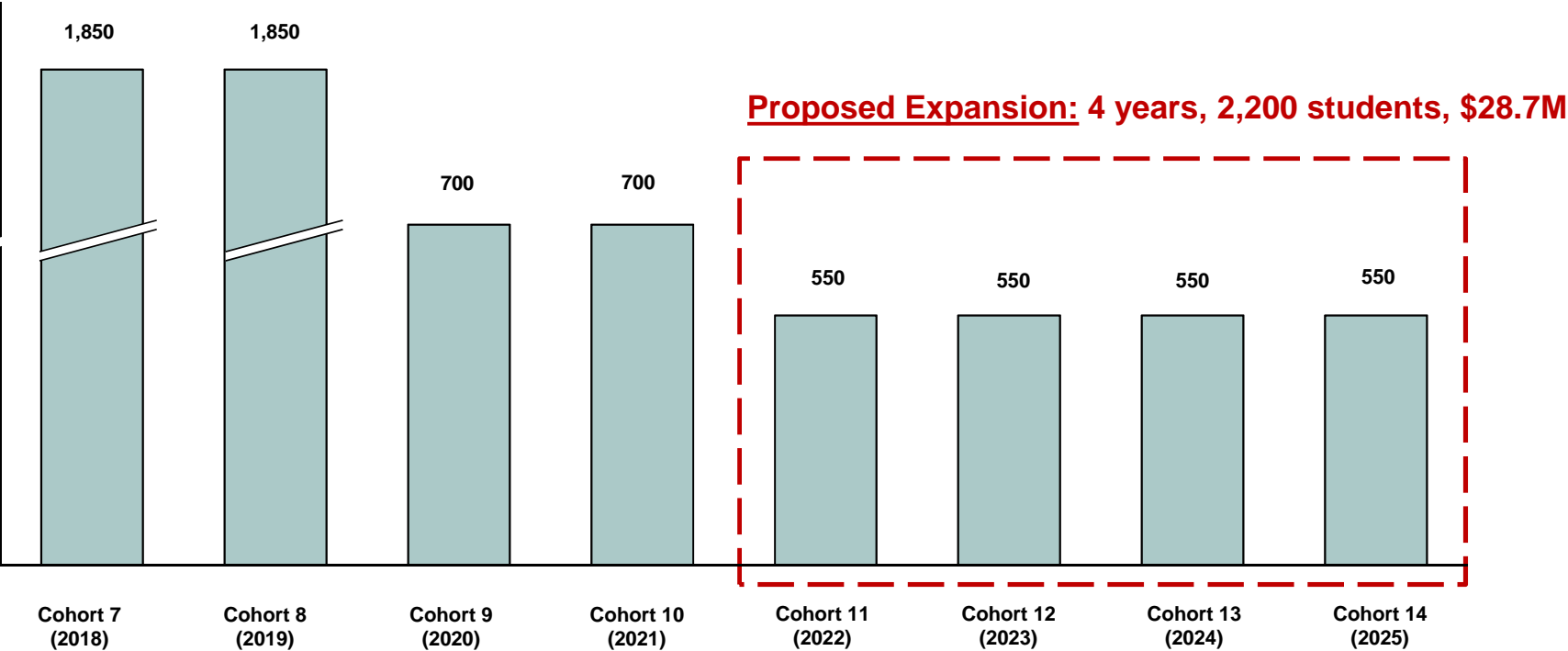
- Focus on Freshmen / Sophomores
- Personal relationship 1:20
- Regular check-ins
- Share personal stories
- Connect scholars with other NPLs according to their academic/other interests
- Opportunity Launch participation

## Program Officers

- Supervise and train NPLs
- Focus on Juniors / Seniors
- Support services to highly struggling Freshmen/ Sophomores
- Job search, internship search
- Extraordinary / hardship cases
- Opportunity Launch organization
- Transcript review



# Recommended Investment #2: Extend scholarship to 2024-25 to serve 2200 more students at cost of \$28.7M



**Does not include the \$34M Endowment funds that will be available in 2026**



# Proposed Investments

Investment area

Total cost

**Improve retention** through programmatic expansion

\$22.4M

**Extend duration** through Cohort 14

\$28.7M

---

**Total**

---

**\$51.0M**

**Both investments may flex**

## Return on Investment

These investments will result in **2,582 additional** graduates employed in STEM/Healthcare (\$19,800 per graduate) – a cost savings of **\$2,700** per successful graduate.

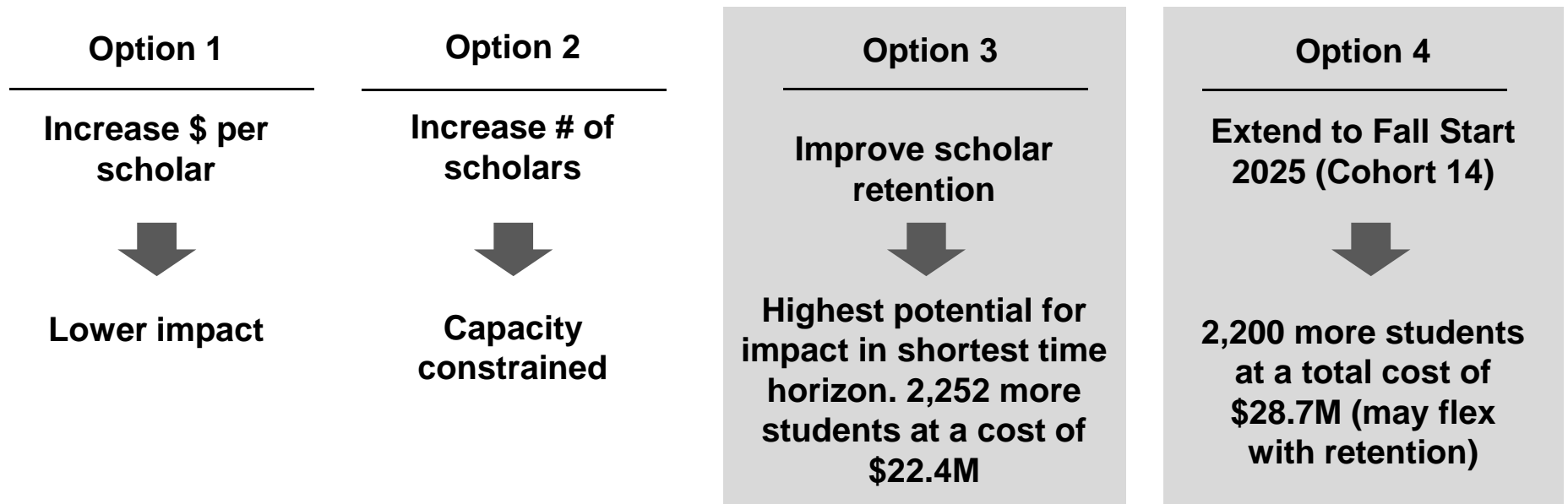
# **GROWTH OPTIONS ANALYSIS & RECOMMENDATION**

## **FULL ANALYSIS AND APPENDIX**

# Context

Due to revisions in historical and current retention rates in the scholarship model, there is ~\$51M in available funds available for Board investment (**\$38.6M** from adjustments in the retention rates and **\$15.4M** in projected additional investment and donation income).

Board asked WSOS how to best use funds; we investigated 4 options:



**We recommend focusing on improving scholar retention (Option 3) and extending the duration of the program (Option 4)**

# Methodology: What we did

**Reviewed literature and best practices locally and nationally**

**Interviewed current WSOS Scholars and alums**

**Interviewed leaders from successful college access and college success programs**

**Evaluated existing internal data on scholars including retention, participation in programs, graduation rates, etc.**

**Conducted and assessed early results of WSOS Cohort 1-3 Alumni Survey**

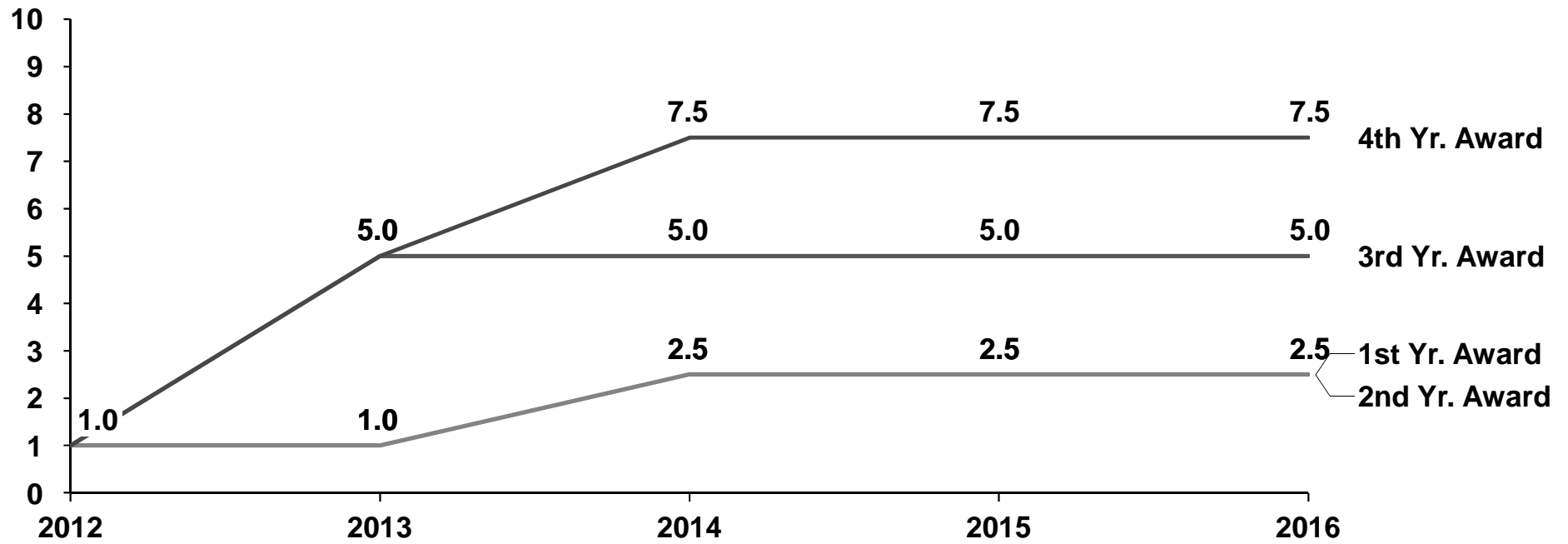
**Convened community leaders & experts in a “Jam Session”**

**We engaged scholars early and throughout the research and consideration process**

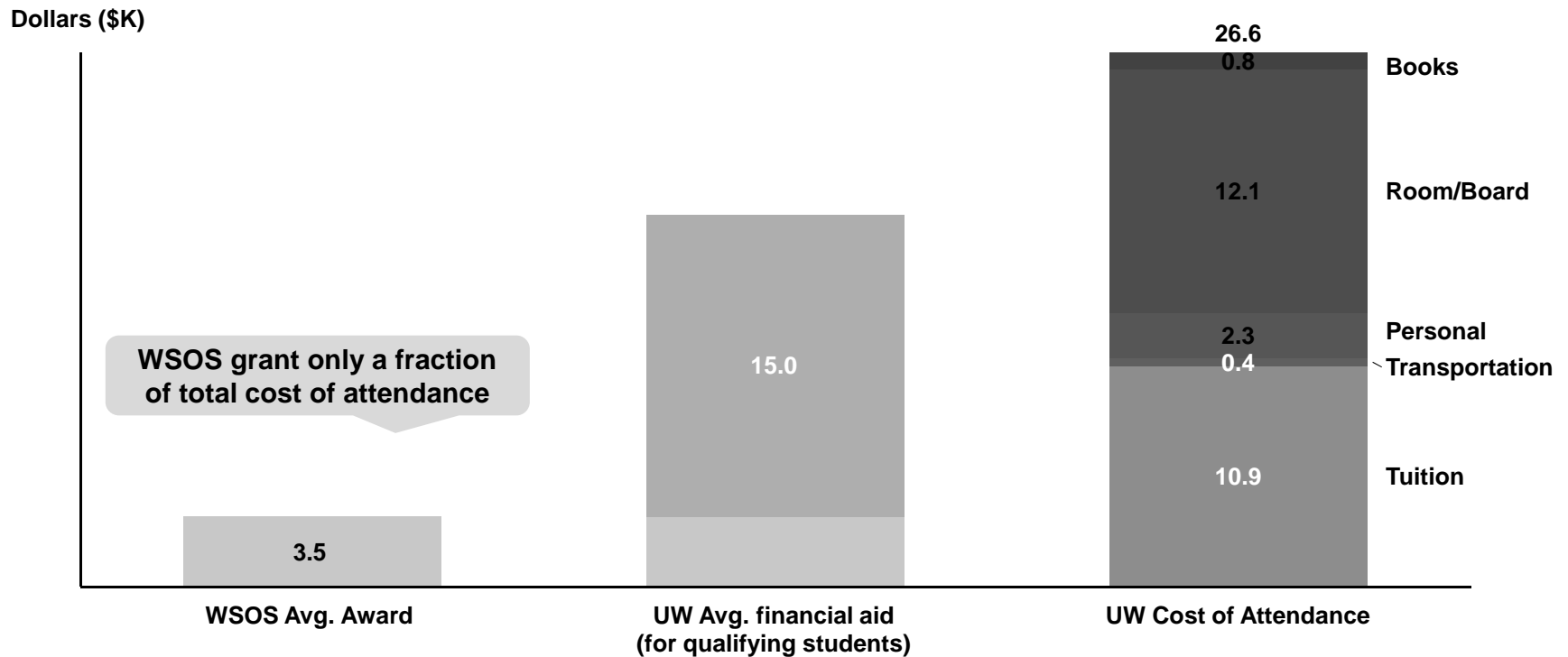
## **Option 1: Increase size (i.e. dollar value) of the scholarship award**

# We've been raising our scholarship awards size since launching the scholarship in 2012...

Maximum Annual Award Size (\$K)



# ...however, our scholarship still only covers a fraction of total financial aid and total cost of attendance



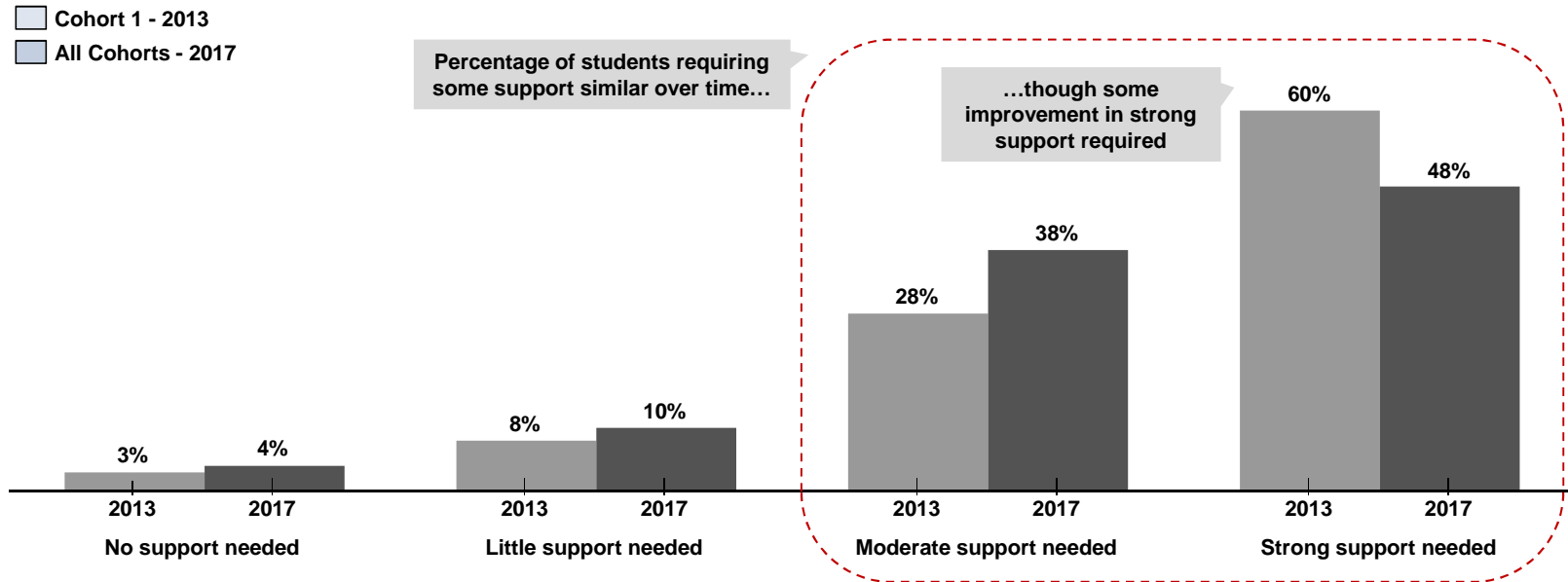
**Even doubling award would not fundamentally change this picture**

Source: WSOS analysis; UW financial aid based on triangulation across a number of public sources; UW cost of attendance based on UW public data



# Despite raising grant levels, students still require similar levels of financial support...

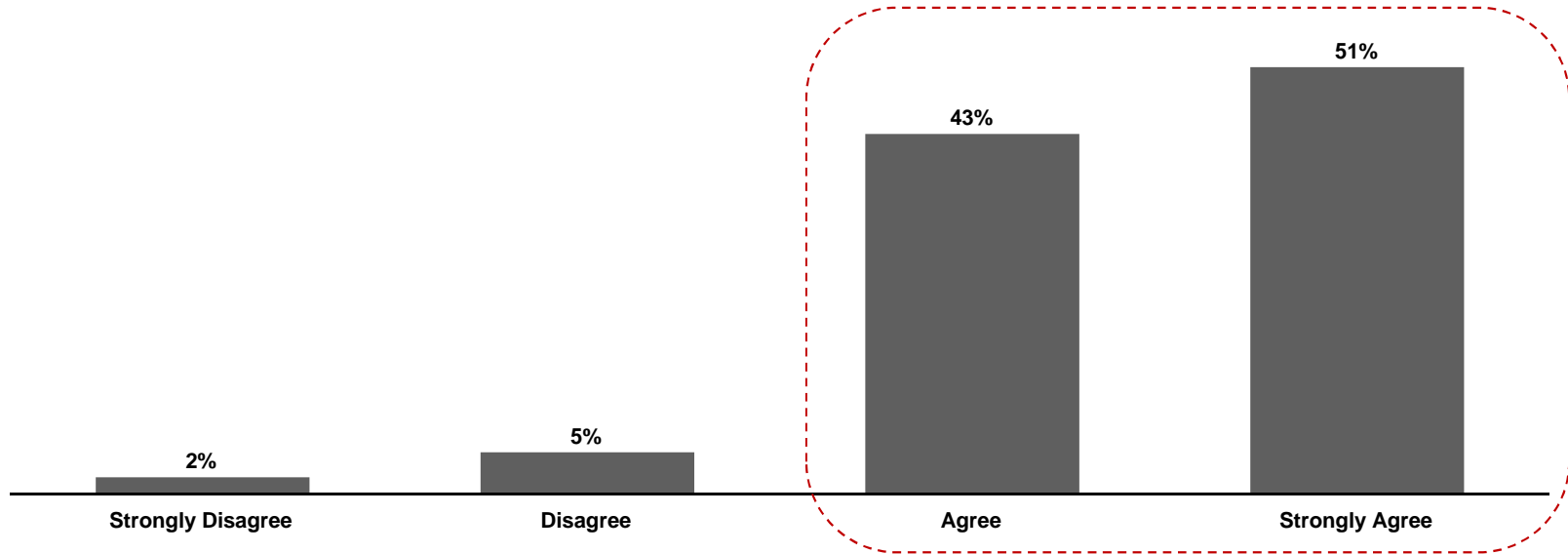
Rate the level of support you require to adequately to fund your education  
(N = 2660, 2017 renewal survey; N = 1177, 2013 needs assessment survey)



**Tripling average grant size (~\$2.5K increase) still a small absolute funding increase for students**

# ...however, students report that the scholarship is a powerful financial incentive for them at current level

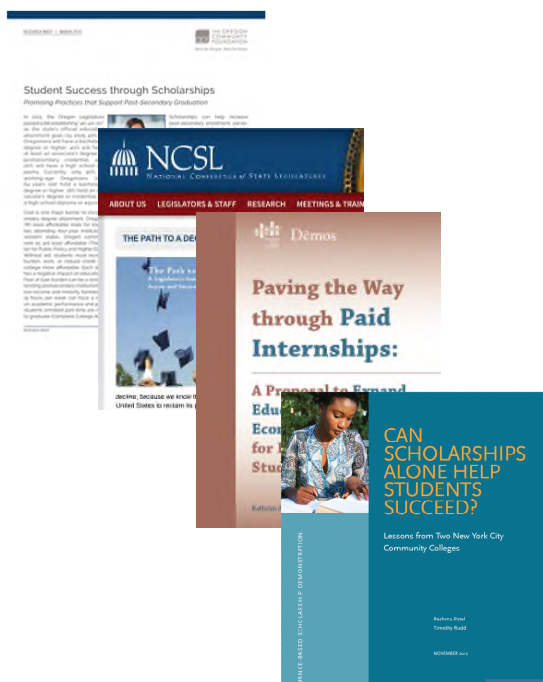
WSOS financial assistance has been an incentive for me to pursue and/or remain in a high demand field of study (N = 2660, 2017 renewal survey)



**WSOS support always predominately an incentive; not meant to provide comprehensive financial support**

# Research supports the claim that programmatic supports are more impactful than small financial grants

## Research sources



## Takeaways

*While **small gains in financial aid do not positively affect persistence, non-financial support has shown to help.** In an example program, students “experienced a persistence rate of almost 95%, compared to the national average of 23% for similar students. (Oregon Community Foundation)*

*Low-income and first-generation students **are more likely to remain in school and complete a degree if college support services, such as learning communities, mentoring, internships, tutoring, and advisement, are available to them** (National Conference of State Legislatures)*

***Scholarships alone may not be enough to help students succeed** (U.S. News)*

“More resources would be great, but if you get out of school and you don’t have a career you’re going to be more in debt”  
- WSOS Student Interview

“I don’t feel financially secure but I still would rather have more supports that help me get experiences on my resume”  
- WSOS Student Interview

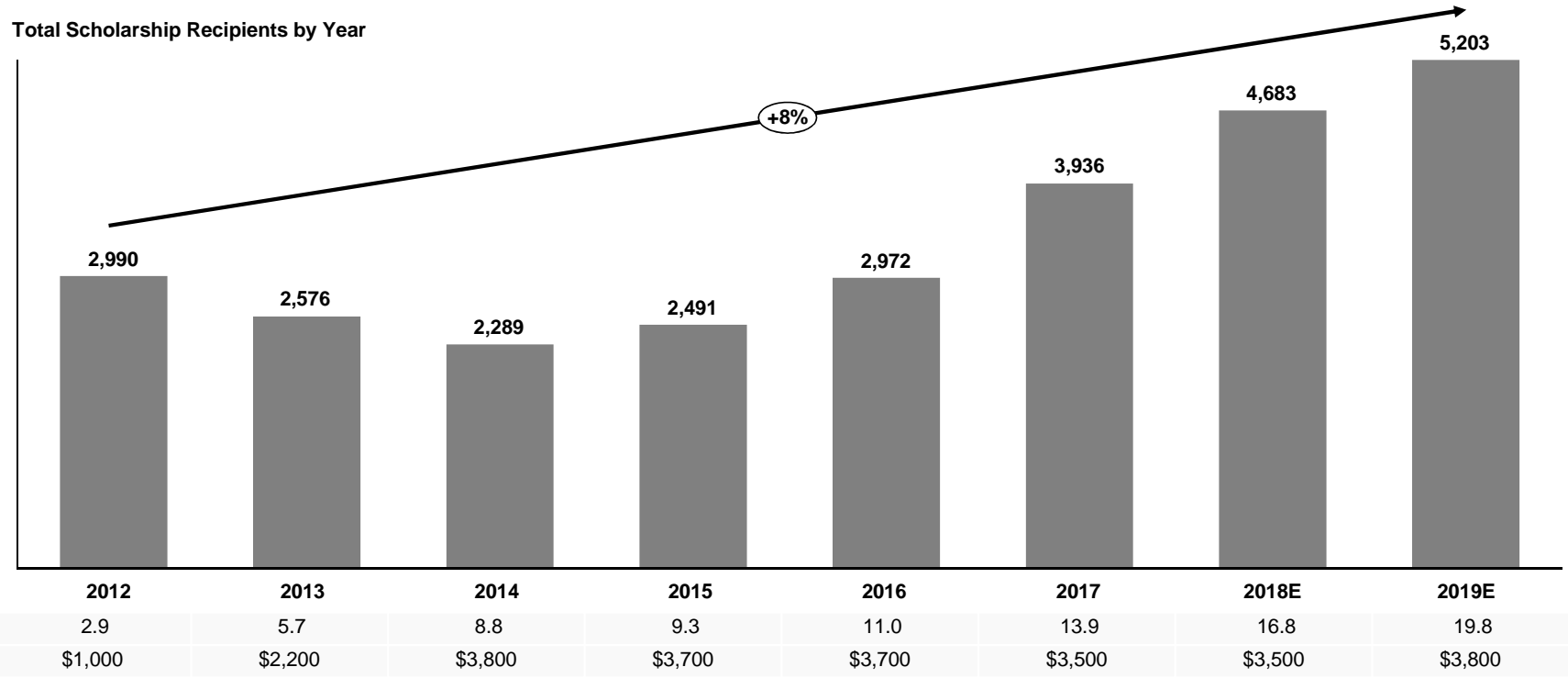
Source: “Student Success through Scholarships: Promising Practices...,” Oregon Community Foundation: [http://www.oregoncf.org/Templates/media/files/scholarships/scholarship\\_research\\_brief.pdf](http://www.oregoncf.org/Templates/media/files/scholarships/scholarship_research_brief.pdf)  
 “Study Assesses Effects of Financial Aid on College Student Success,” US News: <https://www.usnews.com/education/blogs/student-loan-ranger/2013/01/30/study-assesses-effects-of-financial-aid-on-college-student-success>  
 Bautsch, B. “The Path to a Degree. A Legislator’s Guide to College Access and Success.” Natl Conference of State Legislatures: <http://www.ncsl.org/research/education/the-path-to-a-degree.aspx>

## **Summary of Option #1.**

**WSOS is not designed to be a full scholarship and incremental increases will not necessarily result in improved outcomes.**

## **Option 2: Increase volume (i.e. number of scholarships) of scholarships awarded**

# WSOS has worked hard to increase number of awards while increasing award size...

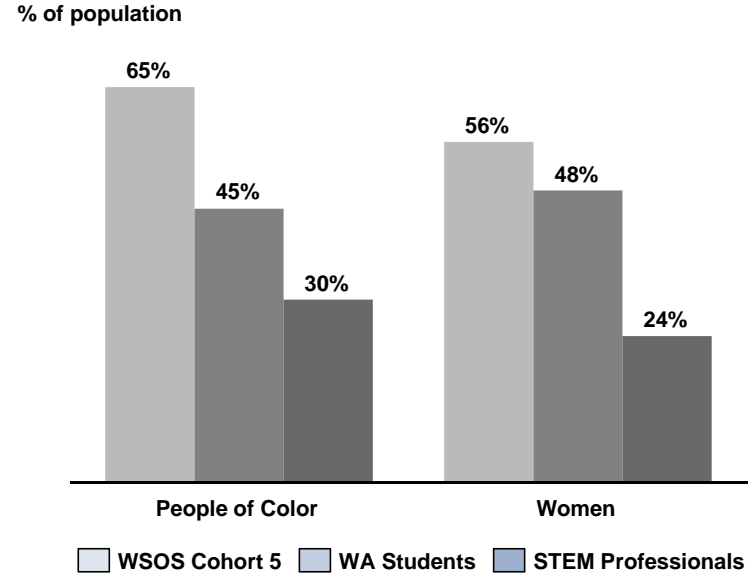
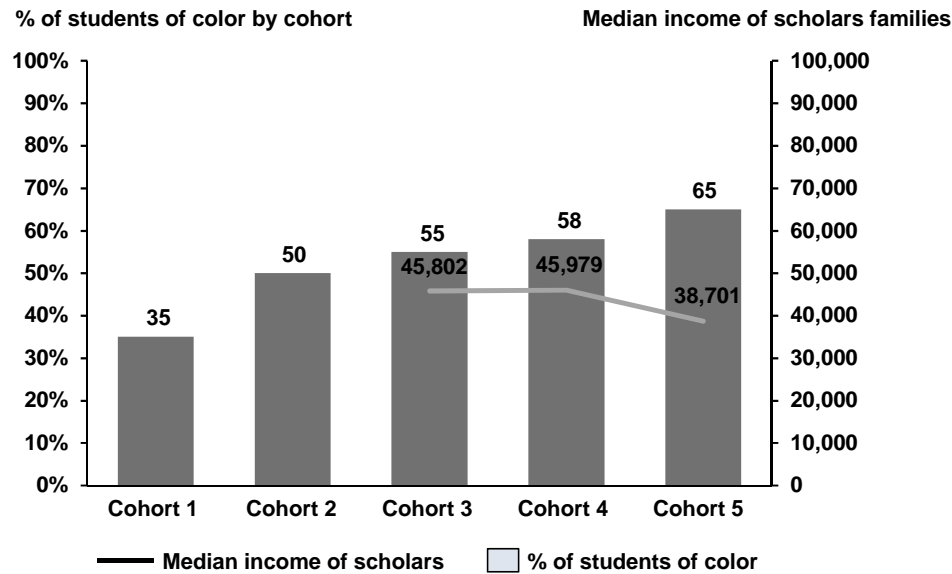


Source: WSOS analysis

# ...and serving greater percentages of our target populations...

Serving greater percentage of target populations...

...and dramatically overperforming WA state and the job market averages



# But evidence is mounting that we are facing capacity constraints by region and high-demand majors

## Puget Sound lacking Higher-Ed capacity

*Region is an “opportunity desert” based on competition especially for students already less likely to complete higher-education (e.g. geographically, race/ethnicity)*

*Many students leave region because of lack of opportunity; may leave the state all together or “undermatch”*

*UW is taking all the students it can from this region*

*We need a dramatic increase in Bachelor’s degree capacity*

*- Paraphrased from Jenee Myers Twitchell, UW Central Puget Sound Higher-Ed Capacity Study*

## High-demand majors also facing shortage

[Education](#) | [Education Lab](#) | [Local News](#)

### Students frustrated trying to get into UW’s strict engineering program

Originally published February 19, 2017 at 8:00 am

More kids are graduating from high school with the passion and the qualifications to pursue higher education in STEM fields. But we don’t have the capacity in our universities to provide these students with the education required to qualify for a bow wave of engineering jobs.

Student demand for engineering education is soaring. More than 2,000 incoming UW Seattle freshmen indicate an interest in an engineering major, up almost 50 percent over the past five years. But only about a third of those freshmen can be accommodated with current UW resources.

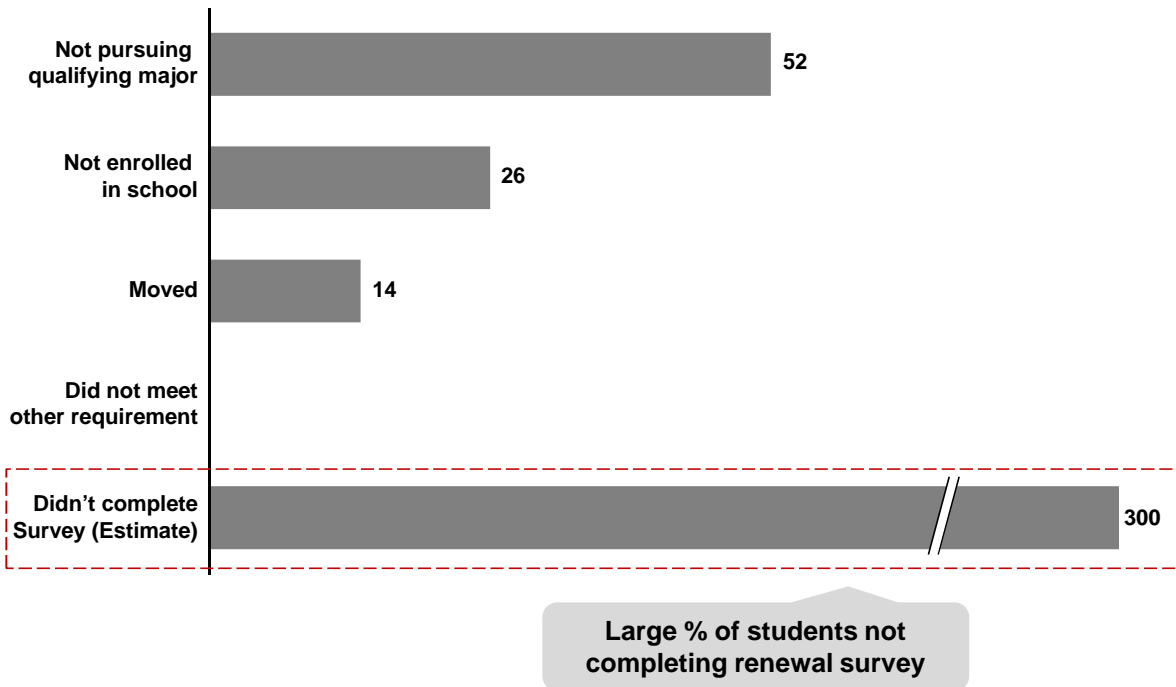
*- Excerpts from recent Seattle Times articles*

**Raising volume of scholarships may mean our students won’t gain access to target majors or may push out other qualified candidates**



# Many of our students leave the scholarship for issues related to their major

Reasons for not renewing scholarship (2017)



## Qualitative

*“I had to apply to my major three times before being accepted. At one point my mentor told me, I guess you just must not be good enough. Many of my peers quit along the way.”*

*- Recent WSOS Grad*

# However there unquestionably long-term labor market need for WSOS students

Highest growth jobs 2020-2025 will still be aligned with WSOS focus areas

STEM employers need to higher a more diverse workforce

Job	2020-25 Annual Growth	WSOS-aligned
Web Developers	3.98%	<input checked="" type="checkbox"/>
Software Developers	3.01%	<input checked="" type="checkbox"/>
Roofers	2.98%	<input type="checkbox"/>
Computer and IS Managers	2.94%	<input checked="" type="checkbox"/>
Marketing Specialists	2.93%	<input type="checkbox"/>
Computer Systems Analysts	2.70%	<input checked="" type="checkbox"/>
Massage Therapists	2.69%	<input type="checkbox"/>
Health Specialties Teachers	2.67%	<input checked="" type="checkbox"/>
Marketing Managers	2.55%	<input type="checkbox"/>
Multimedia Artists and Animators	2.54%	<input checked="" type="checkbox"/>
Gaming Dealers	2.45%	<input checked="" type="checkbox"/>
Management Analysts	2.39%	<input type="checkbox"/>
Physical Therapists	2.37%	<input checked="" type="checkbox"/>
Computer User Support	2.28%	<input checked="" type="checkbox"/>
Computer Occupations, All Other	2.21%	<input checked="" type="checkbox"/>

GOOGLE

Google's Gender Problem Is Actually a Tech Problem

Bloomberg  
Aug 09, 2017



Facebook on hiring more minorities: 'It's complicated'

- Women are now 35 percent of Facebook's workforce, blacks are 3 percent and Hispanics are 5 percent.
- The company announced measures to increase minority hiring.

Julia Boorstin | @JBoorstin  
Published 12:00 PM ET Wed, 2 Aug 2017 | Updated 1:08 PM ET Wed, 2 Aug 2017

FACEBOOK | AMAZON | GOOGLE

It's not just Google – many major tech companies are struggling with diversity

Here's a look at their comparative diversity.

BY RANI MOLLA | @RANIMOLLA | AUG 7, 2017, 3:52PM EDT

DAVEY ALBA BUSINESS 01.05.15 12:48 PM

MICROSOFT RELEASES MORE DIVERSITY STATS, AND THEY AREN'T PRETTY

While we may be temporarily capped in our ability to add short-term volume, there is a need to sustain our impact over time

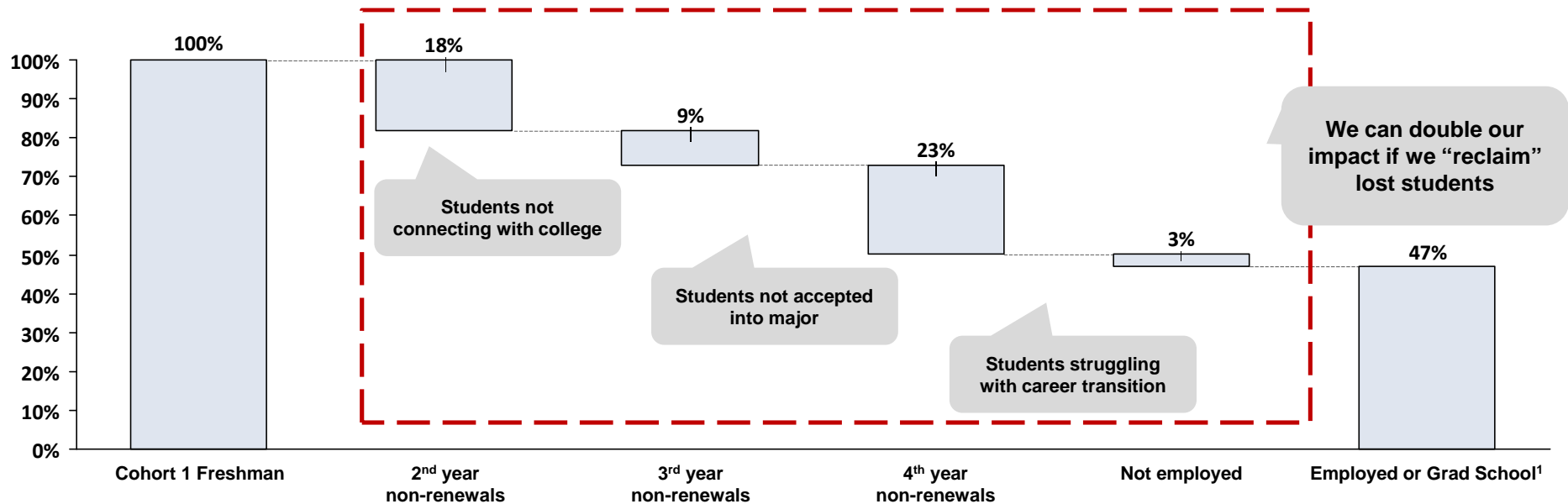
## Summary of Option #2.

**We currently have the right types students (diverse, underrepresented, etc.) in the WSOS program pipeline. And while the labor market demand for STEM and Health Care talent continues to grow, we are concerned about the immediate capacity of our college and university partners to enroll our Scholars in the high-demand degree programs.**

**Option 3: Expand our support services to improve retention rate and student outcomes while serving the same number of students**

# If we support our students more effectively, we can increase our impact without growing our scholarship

*Work-in-progress estimates based on first “full class” (e.g. Cohort 1 entering as freshmen)*



**Improving retention by 30 percentage points (for Cohort 6-10) would increase the number of WSOS scholars achieving employment or grad school entrance by graduates by ~1000**

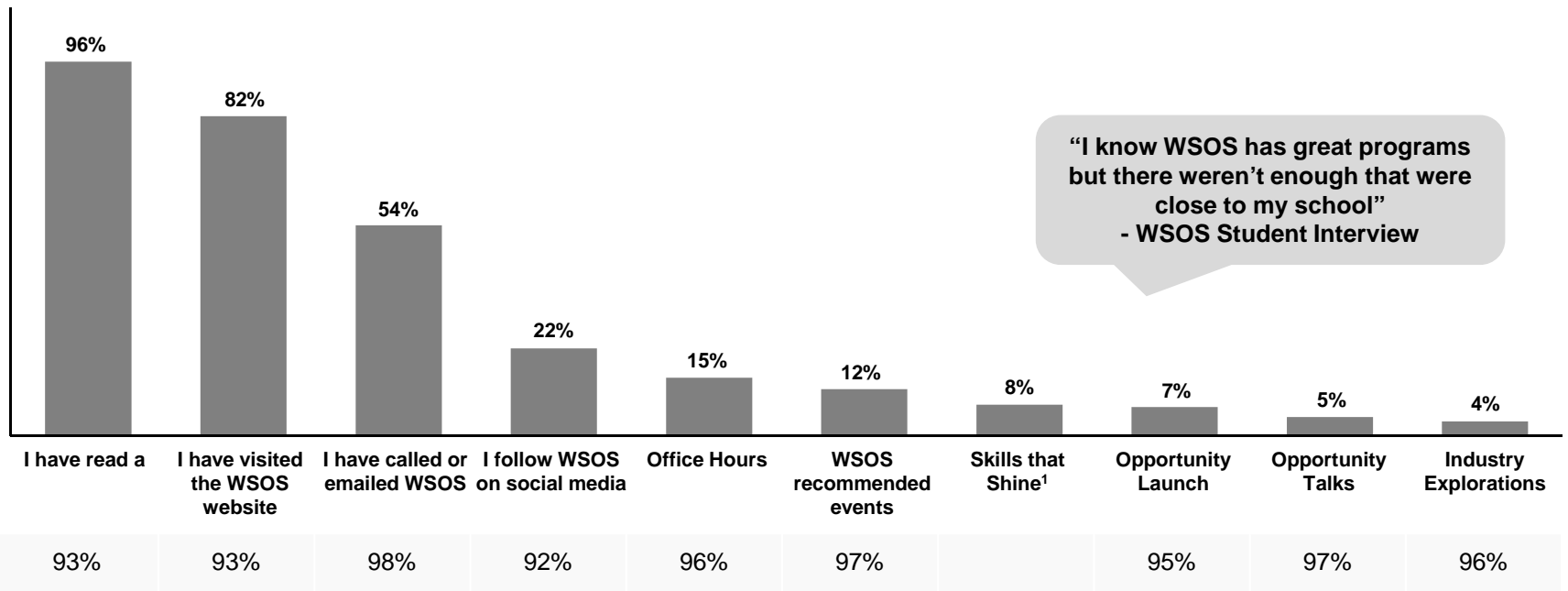
Source: WSOS analysis; 1. Likely slightly overestimated based on assumption that all 4-year renewals eventually graduate

# Recently we've created a number of programs...

Program	Description
Opportunity Launch	Summer orientation for select group of newly awarded scholars to provide skills, advice and tools to successfully navigate college and the WSOS Scholarship.
Skills that Shine	One-to-one mentorship program developed in partnership with BCG focused on attainment of “soft-skills” (e.g. resume writing, interviewing, networking, professionalism).
Office Hours	Case-management by WSOS Program Officers at campuses across the state.

# ...however participation is low for our students





WSOS student participation in WSOS programming (N = 2660, 2017 renewal survey)



**How can we increase participation and scale in this programs?**

1. Based on 2017 Post-Graduate Survey; Source: WSOS analysis

# Others are exploring similar concepts

	Program	Description
<p>Incentives</p>		<p><b>Performance-Based Scholarship:</b> Student receive funds (&lt;\$1500 per student per term) on top of normal scholarship, conditional on performance; paid directly to students—not universities—to allocate individually to needs like books, childcare, etc. Finding: Modestly increased degree completion &amp; academic progress; did not substantially impact persistence</p> <p><b>Aid Like A Paycheck:</b> Modified scholarship distribution to smaller biweekly amounts to encourage students to “better manage their limited aid throughout the term, and think about school as a job where regular attendance and meaningful effort are rewarded.”</p>
<p>Support</p>		<p><b>Braven and Management Leadership for Tomorrow (MLT):</b> Support career development learning around resumes, interviewing, provide a support/alumni network, cohort, etc.</p>
<p>Mixed</p>	 <p>Northeastern University</p> <div data-bbox="310 1146 562 1214" style="border: 1px solid gray; padding: 5px; width: fit-content; margin: 10px auto;">       Scholarships for Unpaid Internships     </div> 	<p><b>Northeastern Co-Op:</b> Education program alternates semesters of academic study with semesters of paid full-time employment in positions related to their major or career interests. Other universities are starting to take on this practice of vocational teaching, e.g. Wentworth Institute of Technology</p> <p><b>Many Universities:</b> Some universities connect low-income students to career learning by providing funding for unpaid internships: Colgate Univ., Vassar College, Colorado College, Mount Holyoke College, Univ. of Richmond</p> <p><b>Year-Up:</b> Teach career development skills, offer opportunities for mentors, internships, and college courses while paying a stipend to students</p>



# “Sprint” background research focused on literature review, interviews, and investigating best practices

## Research method

## Organizations profiled

### Literature review



### Interviews

(including student interviews; survey)



### Best practice programs and products



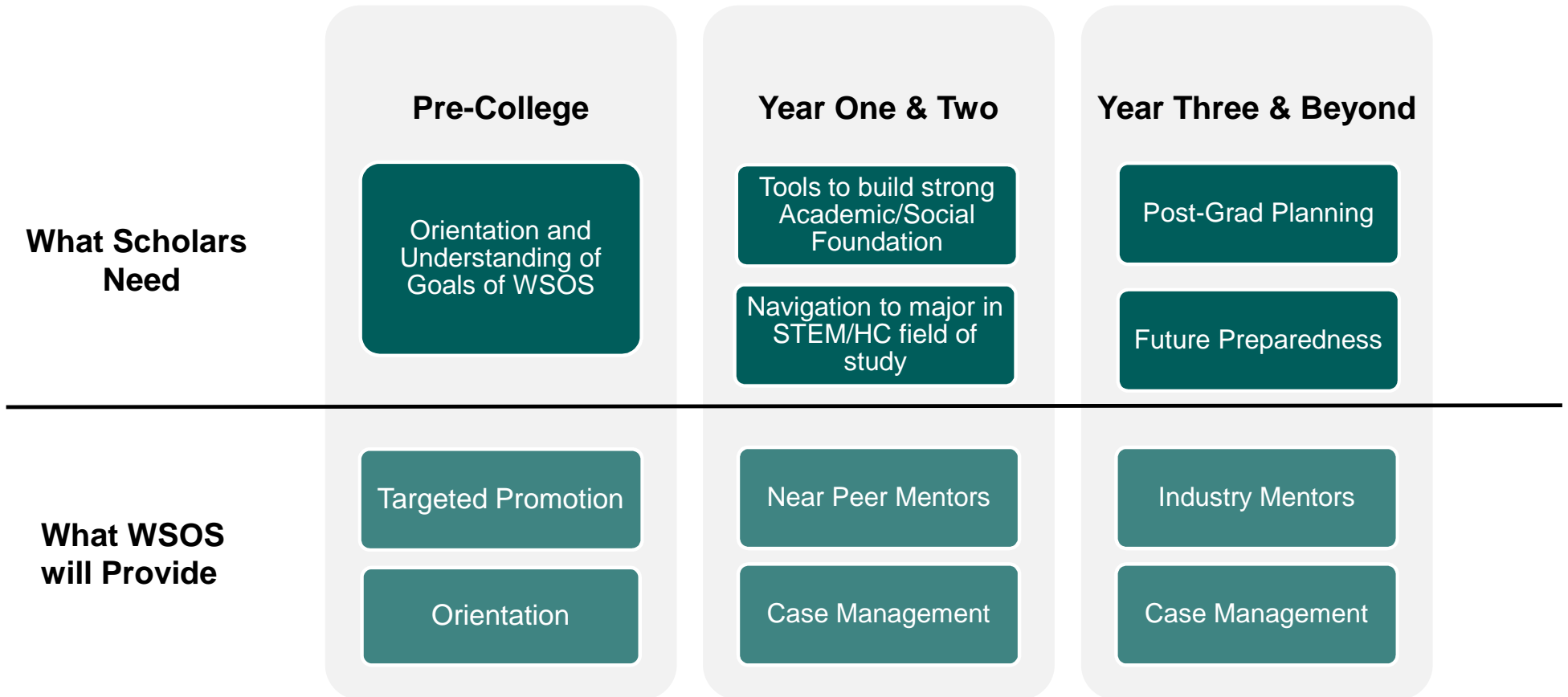
Culminating in “Jam Session” with key partners, students, and board members

## **Summary of Option #3.**

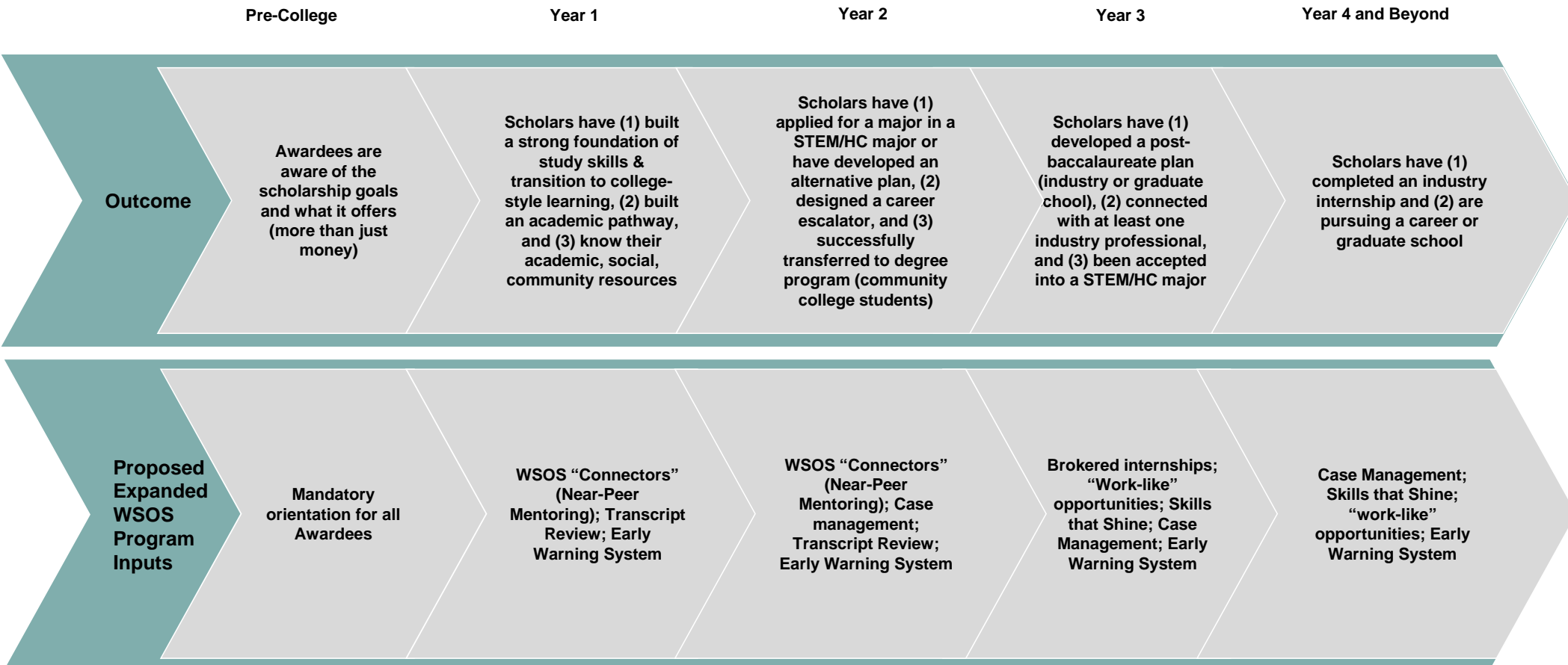
**Accessible and differentiated year-to-year support services could help to take the students in the WSOS program pipeline through successful degree attainment and job placement.**

**Recommendation:  
Invest in support services to improve scholar retention (Option 3) and  
Extend the duration of the program (Option 4)**

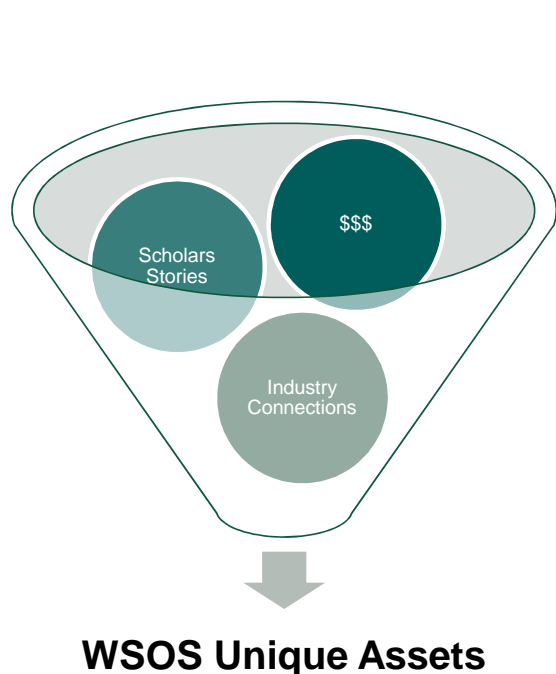
# Scholar needs vary by year: we must provide full-cycle support



# Detailed Differentiated Year-to-Year Support



## Recommended Investment #1: Launch “Near-Peer Leaders” (NPL) & industry connection programs to improve retention at every stage



### Freshman & Sophomore retention

- 100% participation in Opportunity Launch – led by NPLs
- Provide personal connection via NPL 1:20 ratio
- Touchpoints when it matters most (exams, application to majors)

### Junior & Senior retention

- Paid internship opportunity to serve as NPL: both \$ and experience
- Opportunity to interact with corporate leaders via “hackathon” type sessions focused on improving WSOS
- First Cohort: Opportunity to co-design program

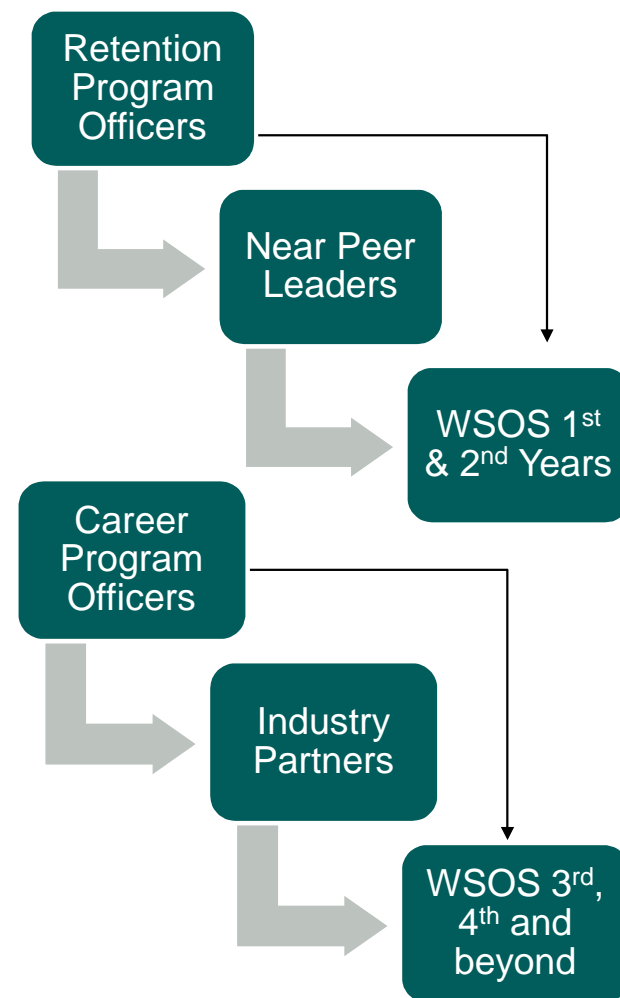
# “Near-Peer Leaders” will complement the role of Program Officers

## “Near-Peer Leaders”

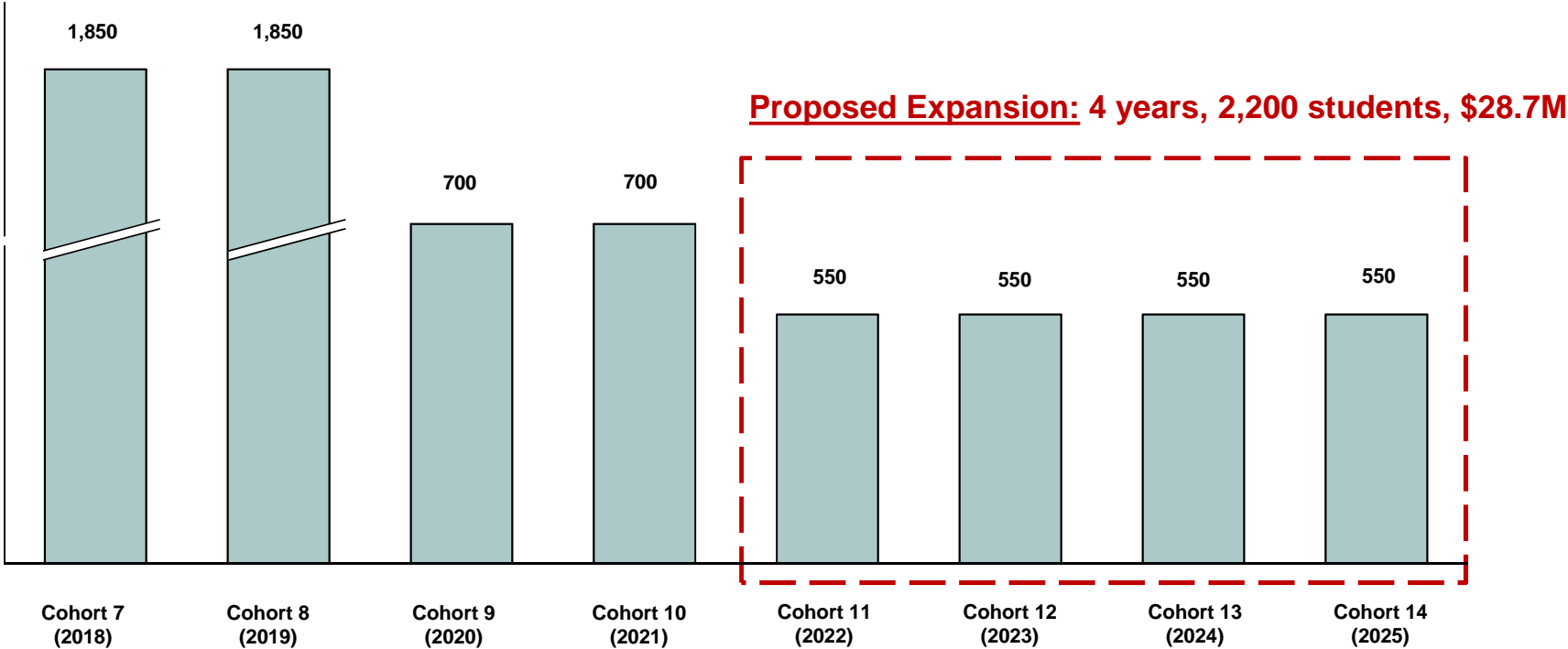
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- Supervise and train NPLs
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- Transcript review



# Recommended Investment #2: Extend scholarship to 2024-25 to serve 2200 more students at cost of \$28.7M



**Does not include the \$34M Endowment funds that will be available in 2026**



# Proposed Investments

Investment area

Total cost

**Improve retention** through programmatic expansion

\$22.4M

**Extend duration** through Cohort 14

\$28.7M

---

**Total**

---

**\$51.0M**

**Both investments may flex**

## Return on Investment

These investments will result in **2,582 additional** graduates employed in STEM/Healthcare (\$19,800 per graduate) – a cost savings of **\$2,700** per successful graduate.

# Appendix

# Scholarship Enrollments & Financial Summary

	Endowment	Scholarship	Total
<b>Projected Net Assets as of 6/30/2026 per June 2017 Board Meeting</b>	<b>32.2</b>	<b>38.6</b>	<b>70.8</b>
<b>Changes In:</b>			
<b>Income:</b>			
Increase in Donations	-	15.4	15.4
Increase (Decrease) in Investment Income	1.9	(0.2)	1.7
<b>Total Increase In Income</b>	<b>1.9</b>	<b>15.2</b>	<b>17.1</b>
<b>Expenses:</b>			
Increase In Scholarship Expense Due to Enhanced Retention	-	(16.1)	(16.1)
Increase In Scholarship Expense Due to Adding Cohorts 11 - 14	-	(22.0)	(22.0)
<b>Total Increase in Scholarships</b>		<b>(38.1)</b>	<b>(38.1)</b>
Increase In Program, General, and Management	-	(6.7)	(6.7)
Program Enhancement Including NPM	-	(6.3)	(6.3)
<b>Total Increase In Expenses</b>	<b>-</b>	<b>(51.1)</b>	<b>(51.1)</b>
<b>Projected Net Assets as of 6/30/2026 per October 2017 Board Meeting</b>	<b>34.1</b>	<b>2.7</b>	<b>36.8</b>
			-
	New Retention Rates	Old Retention Rates	Retention Impact
Scholarship Expenditures for C11 - C14	31.6	26.3	5.3
Less 10% for PYEF	(3.2)	(2.6)	(0.5)
Net	28.4	23.7	4.8
Scholarship Expenditures for C1 - C10	151.8	139.2	12.6
Less 10% for PYEF	(15.2)	(13.9)	(1.3)
Net	136.6	125.3	11.3
Scholarship Expenditures for C1 - C14	165.1	149.0	16.1
			-
Scholarships per 9/19/17 Model			9,316
Scholarships per 6/8/17 Model			6,914
			<b>2,402</b>

*Draft – Work in progress*

Projected Key Metrics/Outcomes:				Comparison to 6/8/2017		
			Current Projection 9/18/17	Prior Board Projection 6/8/17	Metric / Net Asset Inc (Dec)	
Total Number New Students/Cohorts Enrolled During the Period (Through C14, Fall Start 2025)				15,970	13,770	2,200
Total Number Students Graduated During the Period (Through FYE 6/30/30)				9,316	6,917	2,399
Graduation Percentage (All Students Enrolled)				58%	50%	8%
Projected Key Financial Information:						
	Endowment	Scholarship	Total			
Beginning Cash Balance March 1, 2012	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Cash Receipts:</b>						
Private	12,500,000	94,802,265	107,302,265	99,607,834	7,694,431	
Public	12,500,000	93,602,265	106,102,265	99,607,834	6,494,431	
Investment Income	9,059,178	19,767,565	28,826,743	27,132,246	1,694,497	
<b>Total Cash Receipts</b>	<b>34,059,178</b>	<b>208,172,095</b>	<b>242,231,273</b>	<b>226,347,914</b>	<b>15,883,359</b>	
<b>Expenditures:</b>						
Scholarships	-	(156,181,585)	(156,181,585)	(130,812,027)	(25,369,558)	
Near Peer Mentoring	-	(1,570,968)	(1,570,968)	-	(1,570,968)	
Program, General & Management	-	(27,333,735)	(27,333,735)	(23,616,006)	(3,717,729)	
Program Enhancements	-	(5,777,427)	(5,777,427)	(1,160,000)	(4,617,427)	
<b>Total Expenditures</b>	<b>-</b>	<b>(190,863,715)</b>	<b>(190,863,715)</b>	<b>(155,588,033)</b>	<b>(35,275,682)</b>	
<b>Projected Net Cash Receipts Inception -- 6/30/2026</b>	<b>34,059,178</b>	<b>17,308,380</b>	<b>51,367,558</b>	<b>70,759,881</b>	<b>(19,392,323)</b>	
<b>Projected Outstanding Assets &amp; Liabilities as of June 30, 2026:</b>						
Plus: Pledge & Other Receivables Due From State	-	1,200,000	1,200,000	-	1,200,000	
Less: Scholarship & Other Liability Commitments	-	(12,729,199)	(12,729,199)	-	(12,729,199)	
Less: Near Peer Mentoring	-	(49,500)	(49,500)	-	(49,500)	
Less: Projected Program & Gen'l Mngmt Expenditures to Support Scholarships & Internships Run-off through FYE 2030 (4 yrs at \$1,250,000 per yr)	-	(3,000,000)	(3,000,000)	-	(3,000,000)	
<b>Projected "Net Asset" Balance June 30, 2026</b>	<b>\$ 34,059,178</b>	<b>\$ 2,729,681</b>	<b>36,788,859</b>	<b>\$ 70,759,881</b>	<b>\$ (33,971,022)</b>	
<b>Projected Composition by Fund as of 6/30/2026:</b>						
Endowment Fund			\$ 34,059,178	\$ 32,168,418	\$ 1,890,760	
Scholarship Fund			2,729,681	38,591,463	(35,861,782)	
<b>Total Combined Net Assets</b>			<b>\$ 36,788,859</b>	<b>\$ 70,759,881</b>	<b>\$ (33,971,022)</b>	

## Graduation Metrics & Financial Projection Summary Results Comparison

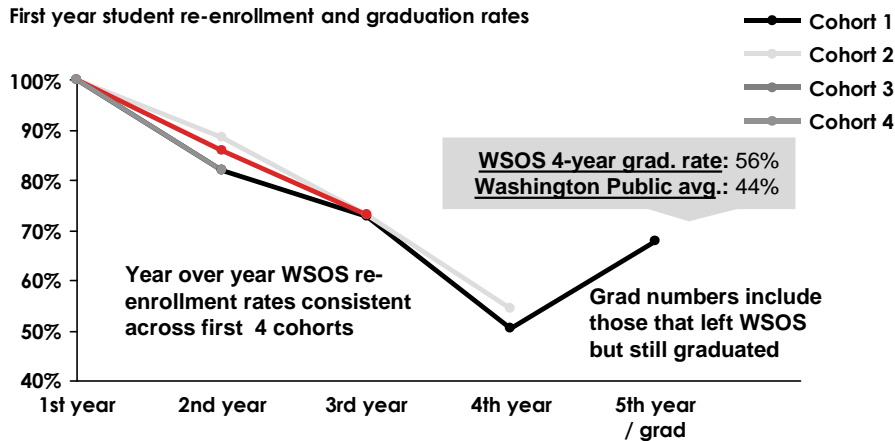
Draft – Work in progress

# ...while WSOS performance against outcomes improving, more progress is possible

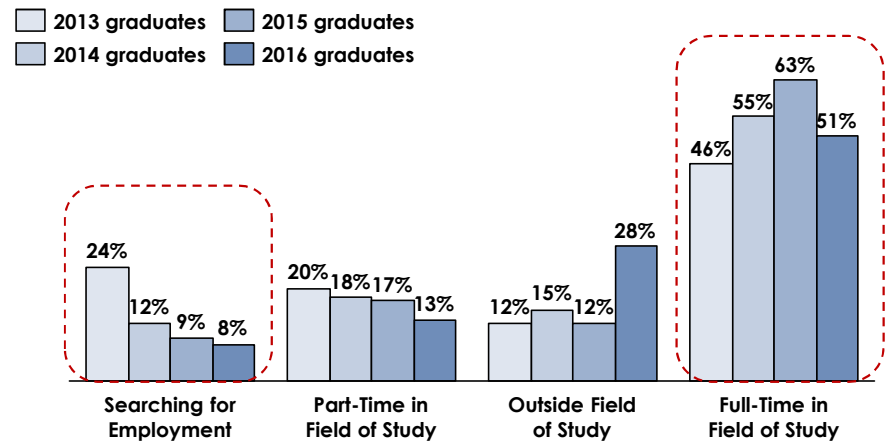
## Outcome goals

**Degree attainment:** 100% of our students will obtain a credential in a high-demand field  
**Career success:** 100% of our job seekers are employed in field study within 9 months

### Renewal rates steady across cohorts; 4-year graduation rate higher than WA average



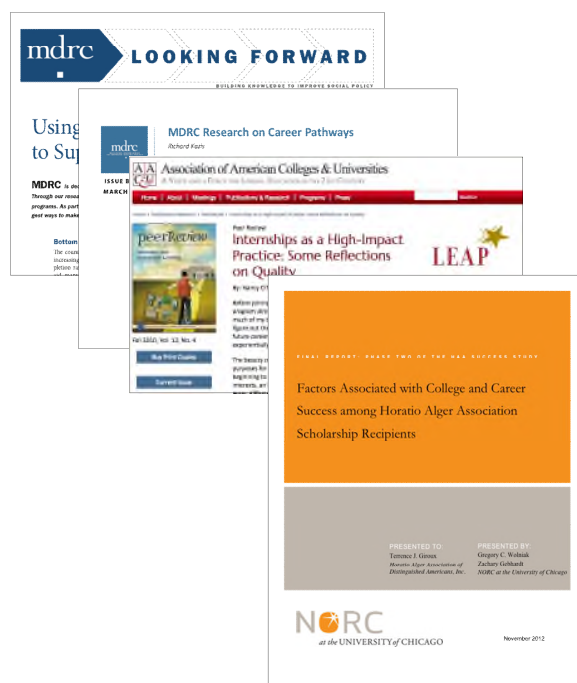
### Improvements in unemployment rate but ~50% of students not employed FT in field



After working hard to recruit the right students; we need to ensure we support them all the way through the pipeline

# Research supports the claim that the right interventions can improve student outcomes

## Research sources



## Takeaways

**Work-based learning is effective for teaching valuable skills and a powerful incentive to keep individuals engaged and to encourage them to advance (MDRC)**

**Undergraduates with mentors report higher levels of knowledge and critical thinking development, development of leadership, interpersonal and career skills, and greater ability to cope with the college environment through seeking support from institutional resources (National Opinion Research Center; UChicago)**

**High-impact practices include: first-year experiences, common intellectual experiences, learning communities, writing-intensive courses, collaborative assignments and projects, undergraduate research, diversity/global learning, service learning, community-based learning, and capstone projects. Rounding out the list is internships (O'Neill, Association of American Colleges and Universities)**

**“I can’t stress enough how much I appreciate the internship that WSOS secured for me”  
- WSOS Student Interview**

**“You need people that have been through the same things as you to help you along the way”  
- WSOS Student Interview**

Source: MDRC Research on Career Pathways”: [https://www.mdrc.org/sites/default/files/Career\\_Pathways\\_2016\\_Issue\\_Brief.pdf](https://www.mdrc.org/sites/default/files/Career_Pathways_2016_Issue_Brief.pdf)

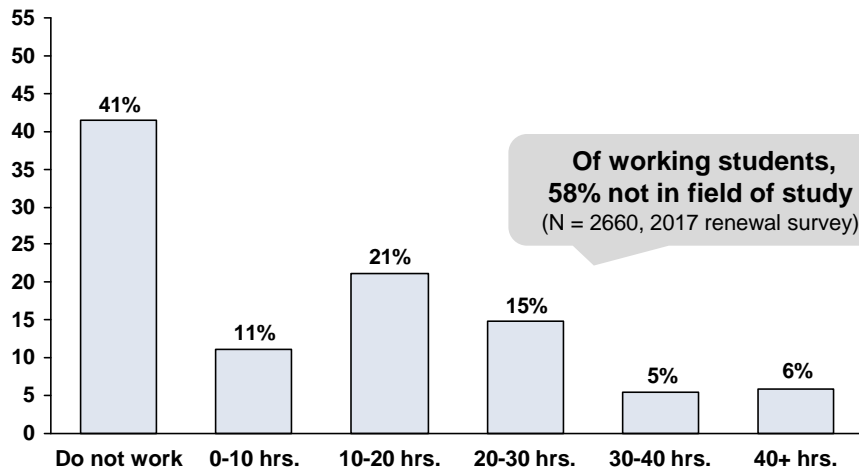
“Factors Associated with College and Career Success among...” NORC, Univ. of Chicago: <https://www.horatioalger.org/wp-content/uploads/2015/11/HAA-Phase-2-Main-Findings-Report-NORC-11.27.12.pdf>

O’Neil, N. “Internships as a High-Impact Practice: Some Reflections on Quality,” AACU: <https://www.aacu.org/publications-research/periodicals/internships-high-impact-practice-some-reflections-quality>

# Back-up: Student work habits

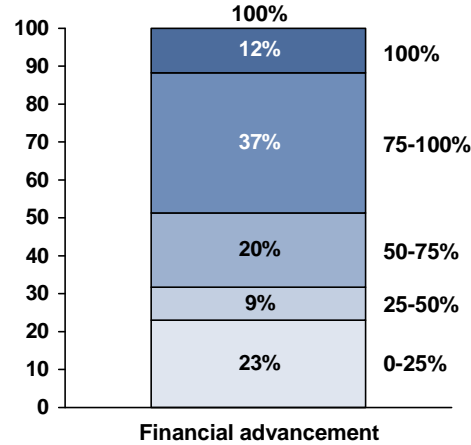
**60% of students working; majority are not working in their field of studies**

How many hours a week do you work? (N = 2660, 2017 renewal survey)



**Students working predominately for financial means and not career advancement**

What percentage of your work was predominately for money (over career advancement) (N = 2660, 2017 renewal survey)



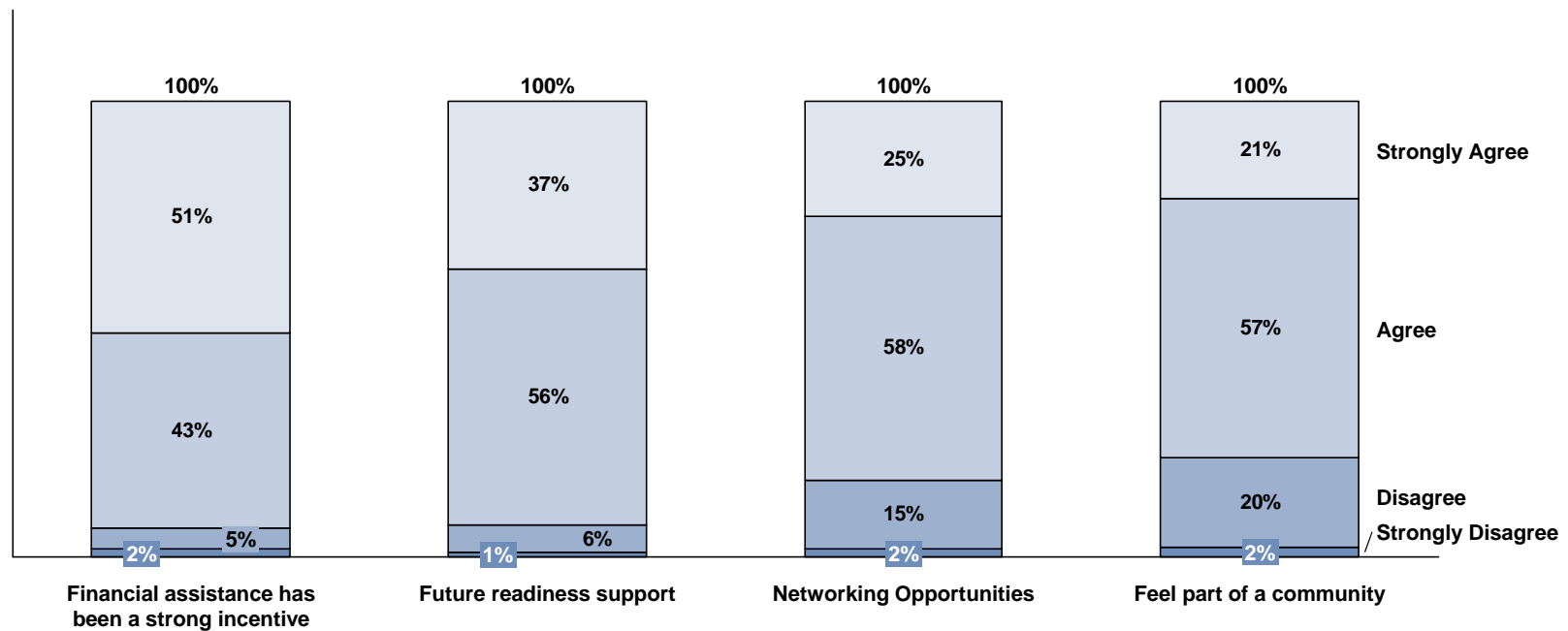
**68% of students report that over 50% of their work is predominately for financial advancement**

**Can we find a way to make work in school predominately about career advancement**



# Scholarships main value-add is financial incentive

WSOS student's belief on their preparedness for success (N = 2660, 2017 renewal survey)

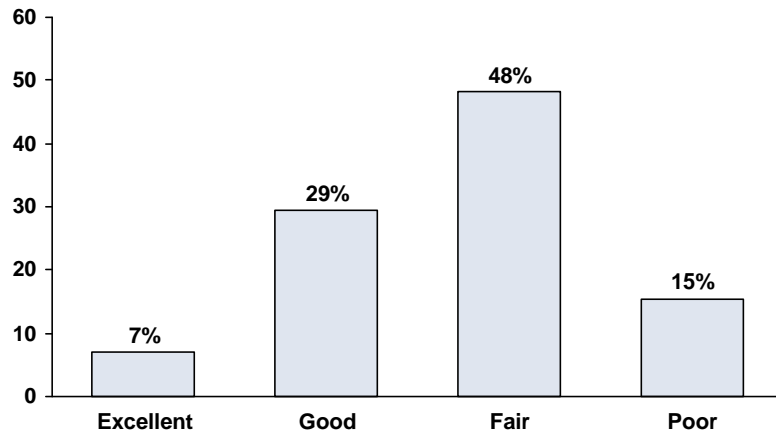


**How can we increase participation and scale in this programs?**

# Our scholarship does not enable all students to feel financial secure but it is a powerful incentive

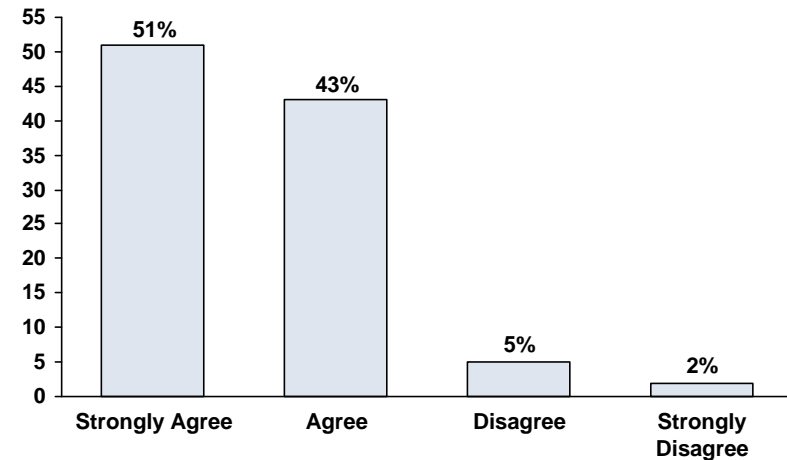
**Our students are not uniformly confident in their financial ability to cover school costs...**

Rate your financial ability to cover school-related costs  
(N = 1892, 2016 renewal survey)



**...however, they report that the scholarship is a powerful financial incentive for them**

WSOS financial assistance has been an incentive for me to pursue and/or remain in a high demand field of study (N = 2660, 2017 renewal survey)

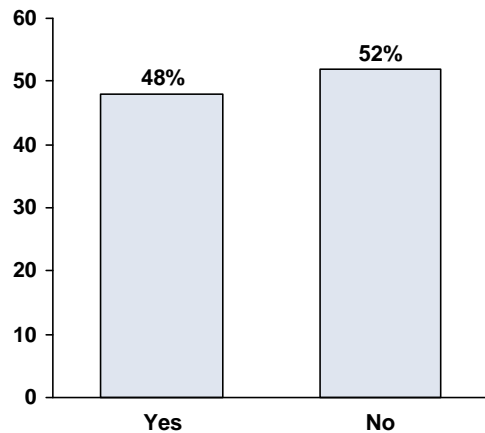


**WSOS support always predominately an incentive; not meant to provide comprehensive financial support**

# Many students experience financial hardship; for many inhibits academic and career success

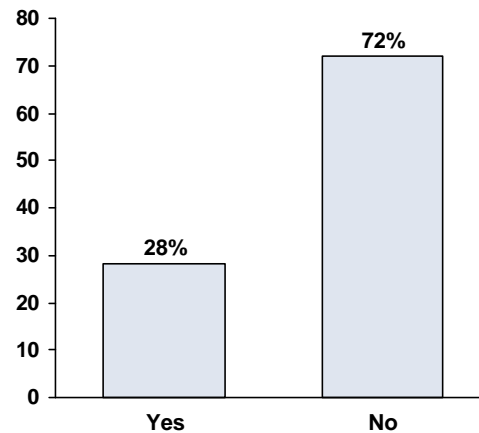
**48% of students experienced financial hardship during 2016-17**

Did you experience financial hardship during 2016-17 (N = 2660, 2017 renewal survey)



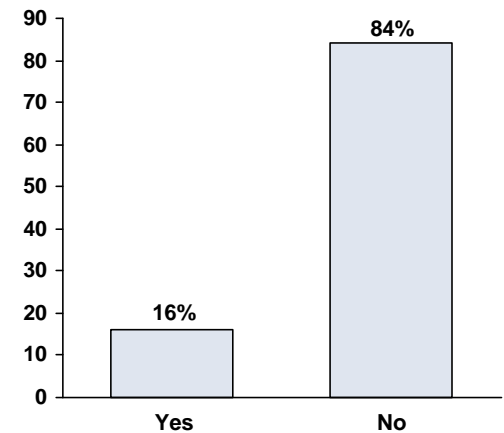
**28% felt hardship inhibited their academic success**

Did financial hardship inhibit your ability to achieve academic success (N = 2660, 2017 renewal survey)



**16% felt hardship inhibited their career success**

Did financial hardship inhibit your ability to achieve career success (N = 2660, 2017 renewal survey)



**How can we ensure that financial hardship does affect students' long-term career success?**

# Backup – 2017 needs assessment

Support Needed	Strong	Moderate	Little	No
Financing education	48%	38%	10%	4%
Job shadowing	34%	35%	19%	12%
Obtaining mentorship	33%	35%	19%	12%
Obtaining unpaid internship	24%	30%	22%	24%
Mock interviews	17%	29%	30%	24%
Program officer for general advising	10%	27%	37%	26%

# Appendix – 2013 needs assessment

Personal Areas (n=1,177)	No Support Needed	Little Support Needed	Moderate Support Needed	Strong Support Needed	Grand Total
Obtaining adequate funds to finance my education.	3%	8%	28%	60%	100%
Obtaining work experience in career areas of my interest.	5%	13%	35%	47%	100%
Arranging to discuss my career interests with people in my planned career area.	10%	26%	42%	21%	100%
Managing my time more effectively.	23%	39%	26%	12%	100%
Learning how to handle stress and anxiety in my life.	23%	36%	29%	11%	100%
Learning how to maintain good physical and mental health.	27%	41%	25%	7%	100%
Identifying my strengths, abilities, and limitations.	19%	48%	27%	6%	100%
Obtaining information about social activities at my college or university.	32%	42%	19%	6%	100%
Learning how to solve personal problems.	38%	43%	15%	4%	100%
Coping with discrimination because of my age, race/ethnicity, gender, etc.	58%	28%	10%	3%	100%
Learning how to deal with peer pressure.	61%	29%	8%	1%	100%