

WASHINGTON STATE **OPPORTUNITY** SCHOLARSHIP

BOARD MEETING AGENDA THURSDAY, DECEMBER 17, 2020 | 1:00-3:00 P.M. VIRTUAL ONLY

Click on the Microsoft Teams link in the meeting invitation or dial in: 1-425-616-0754 / passcode: 104 363 515#

Meeting open to the public via conference line above.

I.	Meeting Called to Order » Welcome to Latisha Hill & Patrick Smith		Brad Smith Board Chair	1:00p
II.	Approval of Minutes from September 17, 2020 Meeting	[Tab A]	Brad Smith Board Chair	1:00-1:05p
III.	Mission Moment: Opportunity Scholar Story	[Tab B]	Rashid Mehmood Scholar Lead	1:05-1:10p
IV.	Legislative Report	[Tab C]	Steve Walker Awards Admin Director	1:10-1:20p
V.	Program Update: 2020 in Review	[Tab D]	Kimber Connors Executive Director	1:20-1:30p
VI.	Baccalaureate Selection Principles » <i>Board Action:</i> Approve selection principles for Baccalaureate Cohort 10	[Tab E]	Aileen Tubo Awards Manager	1:30-1:55p
VII.	Fund to 2030: Progress on \$200M	[Tab F]	Erin Ashley Development Director Sarah Szabo Philanthropy Advisor	1:55-2:30p
VIII.	Finance & Program Administrator Update » <i>Board Action:</i> Approve update to short-term investment policy » <i>Board Action:</i> Approve Patrick Smith as Committee Chair & Joseph Walker as member » <i>Board Action:</i> Approve 2021 proposed budget	[Tab G]	Julie Sandler Board Member F&I Committee Member	2:30-2:50p
IX.	Executive Session » Review Executive Director performance		Brad Smith Board Chair	2:50-3:00p
X.	Closing		Brad Smith Board Chair	3:00p

Important Dates

- » **Upcoming Board Meetings - all meetings at Microsoft campus or by Teams from 1 to 3p**
 - Thursday, April 1, 2021
 - Thursday, June 10, 2021
 - Thursday, September 16, 2021
 - Thursday, December 16, 2021

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LATISHA HILL

SVP, Avista Development

VP Community & Economic Vitality, Avista Corp.

Latisha Hill is senior vice president, Avista Development and vice president Community & Economic Vitality, Avista Corp, an electric and natural gas utility with operations in Washington, Idaho, Oregon, Montana, and Alaska. For more than twenty years, Hill has worked with communities across multiple states focused on revitalization, public safety, policy, and infrastructure. She has in-depth expertise in community and economic development with specialties in regional systems planning.

Since joining Avista in 2005, Hill has provided operational and business policy support for multiple areas in the Avista service territory. Most recently, Hill has led the redevelopment of the University District South Landing development that resulted in the Catalyst building which is currently under construction.

Prior to her work in development, Hill spent several years within Avista's Human Resources team helping to design a consulting and analytics model for cross functional strategies within the utility. Earlier in her career, she worked for AHANA, a minority business development organization committed to providing support and economic opportunities for all.

Hill is a Spokane native and has a Bachelor's in Communications from Washington State University and a Master's in Urban and Regional Planning from Eastern Washington University. She completed the Willamette Executive Utility Management Program and the Finance for Non-Finance Executives Program at Wharton Business School.

Over the past decade, Hill has served on several community boards and committees, including the Group Health Foundation, Visit Spokane, University District Public Development Authority, Northeast Public Development Authority, the Washington State Transportation Commission and Greater Spokane Incorporated, to participate in efforts to move the community and region forward, and foster economic development and vitality.



PATRICK SMITH

CEO, B.T. Loftus Ranches, Inc.

Patrick Smith is a fourth-generation farmer and the CEO of Loftus Ranches, one of the nation's leading hop producers. Loftus Ranches and its affiliates produce hops, apples, peppers, pears, industrial hemp, and other crops in the Yakima Valley of central Washington State. Patrick's background is in finance and he has extensive industry and nonprofit board experience

Patrick started his finance career with UBS Financial Services in Seattle as an associate in the Corporate Cash Management group, serving the cash management needs of public and private companies in the Pacific Northwest region and beyond. He then became co-founder and managing member of Sawtooth Capital, LLC in Seattle. After pursuing some independent consulting opportunities, he joined Merrill Lynch (later Bank of America Merrill Lynch) as an analyst in their Public Finance Group in Seattle. There, Patrick worked with municipal bond issuers in the Pacific Northwest and Western US in structuring their bond issues. Some of the issuers he worked with include the State of Washington, the Port of Seattle, the Port of Tacoma, Sound Transit, the University of Washington, and King County.

In 2009, Patrick left Seattle and the finance industry to return to his hometown of Yakima and rejoin his family's agriculture business. In the 11 years since, he has emerged as one of the hop industry's leading executives and strategists. Patrick co-founded Bale Breaker Brewing Company in 2013 with siblings Meghann Quinn and Kevin Smith, and brother-in-law Kevin Quinn. In addition to the farming entities and brewery, the family is active in the ownership and management of vertically-integrated partners in the hop and apple value chains including Yakima Chief Ranches, Yakima Chief Hops, Hop Breeding Company, Olympic Fruit Company, and Sage Fruit.

Smith is a native of Yakima Valley, and received his bachelor's in Business Administration from the Michael G. Foster School of Business/UW. He went on to earn a master's in Agricultural Economics/Purdue University, a Master of Business Administration at the Kelley School of Business/Indiana University and a master's in Business Analytics at the Leonard N. Stern School of Business/New York University.

Tab A

Minutes from the September 17, 2020 Board Meeting

**WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD MEETING
THURSDAY, SEPTEMBER 17, 2020, 1-3 PM, MICROSOFT TEAMS OR DIAL IN
MEETING MINUTES**

The Board of Directors of the Washington State Opportunity Scholarship (WSOS) convened on September 17, 2020 via Microsoft Teams and dial in only in alignment with the Governor's suspension of the Public Meetings Act due to COVID-19 precautions. As such, the meeting was publicized as available to the public on the WSOS website though no physical location was hosted.

Board members: Miller Adams, Diane Cecchettini, Joelle Denney, Jane Park, Gary Rubens, Julie Sandler, Brad Smith and Mike Wilson

Additional attendees: Lianda Abraham, Erin Ashley, Michelle Barreto, Jane Broom, Gina Breukelman, Meg Chambers, Kimber Connors, Karyl Gregory, Mesa Herman, Angela Jones, Grace Lilje, Jessica Monger, Joanna Moznette, Brittny Nielsen, Hannah Olson, Sydney Parms, Cristal Rangel Peña, Jvania Cross Polenska, Jeric Quiliza, Vanesa Contreras Rodriguez, Patrick Smith, Aileen Tubo, Steve Walker and Victor Zamora

Meeting Called to Order

Brad Smith, the Board chair, called the Board meeting to order at 1:04 pm.

Approval of Minutes

Diane Cecchettini moved that the minutes of the June 2, 2020, Board meeting be approved. Miller Adams seconded the motion, and it carried unanimously.

Mission Moment: Scholar Opportunity Story

Joanna Moznette, WSOS Baccalaureate Program Manager, introduced WSOS Scholar Grace Lilje, a junior at Gonzaga University (GU). In January, WSOS was excited to learn that Lilje was one of four Gonzaga University students to become a certified manufacturing technologist. The CMfgT is an entry-level certification that some employers recognize when hiring. It also makes Lilje eligible to take the Society of Manufacturing Engineers' Certified Manufacturing Engineer exam after two years of engineering employment. Last year, Lilje provided strong support to her fellow Scholars as a Scholar Lead, so we were eager to welcome her back to the program again this year.

Lilje shared that she grew up on a farm in Davenport, a small farming community about an hour from Spokane. Always interested in math and science as a child and having a history of Alzheimer's in her family, she decided to pursue a career helping to improve the lives of others confronting a health concern. With those aspirations in mind, she is studying mechanical engineering with an applied math minor at GU.

Serving as a WSOS Scholar Lead for the second year has been a rewarding experience to give back to other Scholars, especially with helping them adjust to a new normal with COVID and forming a community with them and other Scholar Leads. This program has been instrumental in developing her own leadership skills.

Lilje is considering three options for post-graduation: graduate school for biomedical engineering, a service program such as the Peace Corps or the Jesuit Volunteer Corps, or directly entering the workforce. She acknowledged the tremendous impact that WSOS has had on her educational and leadership experience. She shared her sincere appreciation for all the financial support, support services, network of connections and resources she has received through WSOS.

Smith expressed his gratitude for all that Lilje has accomplished as a Scholar Lead. He emphasized that these peer-to-peer relationships Lilje and others like her are creating are even more important than the financial support WSOS provides. Her example is inspiring to all of us.

2020-21 Scholars Services Update

Kimber Connors, WSOS Executive Director, announced that Javana Cross Polenska, WSOS Deputy Director, is approaching her one-year anniversary. During this year, Polenska has been pivotal in helping WSOS use data to drive our decisions. Connors invited Polenska to present the 2020-21 Scholar Services update.

Polenska reported highlights of the newest cohort of Career & Technical Scholarship (CTS) Scholars. Cohort 2 (fall) reflects 72% first-generation students, their median family income is \$19,409 and they attend 33 of 34 community & technical colleges. Also selected were 20 recipients for the Rural Jobs Initiative (RJI). In general, these students live more than 35 miles from any campus, and they represent each of the eight eligible regions.

As the 2020-21 academic year begins, two things are known to be true for our Scholars. First, there is no such thing as a typical college experience with housing uncertainty, internet connectivity issues and uncertainty with jobs and internships. And second, their adaptability is critical and, in turn, so is our support for them. Despite the uncertainties, Scholars have signaled their intention to opt in this academic year. Fall 2019 vs. 2020 saw a 2% increase in our Baccalaureate Scholarship (BaS) accepts from 96% to 98%. There is no comparison yet for the CTS Scholars because this scholarship is just starting its second year, but these Scholars were still clear on their intent to enroll with a 90% acceptance rate. BaS Scholars who completed and renewed their scholarship shifted from 79% last year to 78% this year. The top two reasons for non-renewal this year were consistent with last year: they have graduated or they changed to a non-STEM or non-health care major.

Scholars may initiate a leave of absence request as a pause for one term. In 2019, there were 50 such BaS requests and 61 this year. This is a good early indicator, but we will not know the full impact of COVID-19 until November when refunds are issued.

Our goal is to support our Baccalaureate Scholars in accessing information and staying connected with activities and resources on their campus, within their community with social outlets and other resources, as well as with providing information to them regarding internships, mentorships and jobs. The good news is that we are starting from a place of strength. The 2020 BaS Impact & Satisfaction survey results indicate that 94% said they agreed or strongly agreed that they were more likely to graduate from college because of their WSOS scholarship. 96% said they agreed or strongly agreed that their financial assistance from WSOS made it possible for them to attend college full time. Data also proves the impact of year 1 to year 2 Scholar persistence as a direct result of the Scholar Lead program. From the 2017-18 to the 2018-19 academic year, BaS persistence rose from 78% to 84% and then to 87% this year. Since actual enrollment has not yet been finalized, this may increase even further. 89% of third-year BaS recipients felt prepared to seek relevant work experience after participating in our Skills that Shine (StS) program. Both Scholar Leads and StS industry mentors alike expressed similar positive experiences in working with their Scholar mentees.

Comparable outcomes were seen with our Career & Technical Scholars. The 2020 CTS Impact & Satisfaction Survey results indicate that 95% agreed or strongly agreed that they were more likely to complete their program because of their Career & Technical Scholarship. The first CTS cohort last year did not receive the comparable programmatic support which the BaS cohort received, but this year's CTS cohort will. To support that goal, we have made some operational changes which are intended to improve how we support our CTS Scholars utilizing new roles and revising some processes/systems. We have created and hired a Programs Director role who will oversee strategy, supervise all our Scholar programs and share information across all departments at WSOS. We have also extended an offer for a CTS Program Manager who will design programmatic supports. In addition, we have aligned our teams to better support our Scholars' college experience. For revised processes/systems, we have launched the Caspio student database with no disruption to our Scholars or collegiate partners. We are also granting scholarship deferments vs. a standard leave of absence for our Scholars who are disproportionately impacted by COVID-19 while keeping Scholars connected with their Scholar Leads and StS mentors. We are codifying our

Scholar Services key performance indicators and measurement tools to ensure our programmatic goals are achieving their intended impact.

Smith suggested we think about ways that WSOS can partner with companies to open even more doors for our Scholars and expand our mutual benefit. Beyond the well-received mentorship program, perhaps site visits could be co-designed with industry partners, and let Board members know how we can help. Joelle Denney suggested that we increase the number of mentors and target their representation to match our Scholars. Connors reported that Hannah Olson, WSOS Industry Engagement Manager, has been actively recruiting one-off mentors historically but is now utilizing Human Resources departments as a megaphone to recruit more mentors at an organization level. Connors expressed appreciation to Mike Wilson for being a mentor again this year.

Julie Sandler asked how our Scholars are doing facing so many COVID-related uncertainties and the isolation of not being on campus. Polenska reported that our Scholar Leads are doing regular pulse checks with their Scholar mentees. Our website provides detailed information on helpful resources available to all Scholars as well as support services which are specific to each campus. Connors invited Board members to send her additional resources that we can share with Scholars. Denney asked how WSOS is helping Scholars handle their internet connectivity issues. Polenska indicated these issues continue to be a challenge, especially in rural areas across the state, and further conversation is needed.

Lastly, Polenska reported that Scholar-facing supports are being guided by three tenets – accessible, relevant and intentional. Accessibility to our scholarships and programs is achieved through our implementing universal design strategies which remove barriers. In addition, content is delivered in a mobile-responsive learning platform to support asynchronous learning. Relevancy is gained in three ways: bite-size content which is in the Scholar voice; just-in-time modules so information is there when the Scholar needs it; and supports which represent Scholars' backgrounds and interests. Intentionality is seen through our clear expectations and measurements for success. We are more intentional than ever with providing tools and supports to maximize Scholar success. Additionally, we are directing Scholars to existing resources where they can get help.

Key take-aways encompass understanding that there is very little about this academic year that is typical for our Scholars. Our programming is intended to strengthen Scholars' connections to their campus and their community to promote persistence and job attainment. We are increasing our focus on impact and measurement of Scholar-facing programming and initiatives. We must stay committed and adaptable so we can continue to open doors for them.

OpportunityTalks 2020 Virtual Breakfast

Erin Ashley, WSOS Development Director, reported we are pivoting our usual in-person OpportunityTalks (OTalks) breakfast to be an interactive, engaging virtual event on November 12. The host is our own Jane Park, and this year's theme is "Are You Game?" The event will mostly be pre-recorded but there will also be a chat section and some play at home interaction, thanks to Gary Rubens, intended to make the recording feel live to the audience. Additionally, many participants will be mailed a copy of Smith's book entitled **Tools and Weapons: The Promise and Peril of the Digital Age**,

WSOS is committed to being a win-win-win solution for students, employers and Washington taxpayers. We will hear from key partners at Boeing, a key legislative partner and our featured speaker Opportunity Scholar Edgar Santos Aguilar. Smith will interview Trevor Noah, host of *The Daily Show*, and then they will play "Are You Smarter than an Opportunity Scholar?", a STEM trivia game, hosted by Opportunity Scholar Michelle To.

Ashley asked for ideas for Smith's interview questions. Smith recommended that the interview questions be timeless or related to challenges of the year, though not related to making predictions regarding the upcoming election. Park suggested that Noah share his own personal history of persistence which would be encouraging to our Scholars. Smith stated that Noah has a great history with a mentor, his mother, who was passionate about education. Noah's foundation is doing work in Johannesburg which connects directly to

education. Cecchettini corroborated this approach because it highlights the power of an individual who can make a difference.

Ashley offered suggestions for what each Board member can do to support OTalks. Our total fundraising goal is to \$800K by the end of the year. Perhaps more than any other year, the Challenge Fund goal of \$100K will be an important incentive to support donations. Board members should have received an email from Jane Park about supporting the Challenge Fund. By securing a Challenge Fund, we're able to advertise that the first \$100K donated will be quadrupled (initially doubled by the Challenge Fund and doubled again by the state). Last year, we had 100 percent Board participation in the Challenge Fund, and we hope to repeat that again this year. Thank you to those Board members who have already made their commitment!

Seats for this virtual event are unlimited. Ashley is asking everyone to become a virtual table host and invite their network to join their table. Those who hosted a table in the past are encouraged to expand viewer participation by inviting people to participate who, due to geographic restrictions, could never attend in person. Now with a virtual event, they can join us. You may have friends who have large capacity to give but may not customarily attend fundraisers. With our virtual event, these individuals can participate incognito. This is a strategic way to build important champions.

Registration and donations will be handled by MobileCause. People may alternatively make their donation on the WSOS homepage. An email is coming soon from Connors with easy step-by-step instructions on building your table. Board members are invited to help us amplify our message about mentorship. This support service is vital to our Scholars, and we are in the final two weeks of recruiting up to 100 more mentors. Park asked if there is a mentor segment in the event program. Ashley indicated that this message will be prominent, however, the deadline for mentor registration occurs before OTalks.

Wilson indicated he will be making phone calls and requested an email attachment which highlights OTalks and our Scholar successes. Connors readily agreed to provide links with that information.

Park asked if a prize could be offered to those people who donate and watch the live-stream event. Perhaps it could be an autographed copy of Noah's book, **Born a Crime**, a ticket to Noah's show, or an autographed copy of Smith's book. Ashley indicated this excellent idea will be explored.

Legislative Session & Priorities

Jessica Monger reported that she and Connors have taken advantage of this unique time to schedule online meetings with dozens of legislators, budget staff and legislative staff from across the aisle and across the state. Connors and Monger have highlighted the changes in our programming and reported notable demonstrated impacts with our BaS flagship program, CTS program which encompasses apprenticeships, associate degrees or certificates (new in 2019) and the Doctor of Nursing Practice (DNP) program. This program needs a statutory fix before it can be launched, hopefully in 2021.

Monger presented details on how our Opportunity Scholarship protects and complements the state's investment in the Washington College Grant (WCG). This grant does not negate a student's need for a scholarship from WSOS, and everyone is entitled to receive the WCG. Students from families up to 55% of median family income are eligible for the full grant while students from families up to 100% of median family income are eligible for a partial grant. Grant amount is based on tuition and may be used to support degrees in any field. These are guaranteed state funds through the B&O tax which was passed in 2019. Smith was an important advocate for the B&O tax.

Monger stated that students receiving our scholarship can use WSOS funds for up to cost of their attendance, including for things like housing and transportation. Students from families up to 125% of median family income are eligible. Our scholarship targets investments in high-demand fields. Its state match is provided through the general fund.

Legislators are supportive of our 2021 priorities including the match for our three new programs. One priority is to address that the GRD Scholarship cannot launch until the fiscal year following its first state match

appropriation. Without a statutory fix or appropriation of funds in the supplemental budget, its launch would be delayed until fall of 2022, even if a private donor should contribute today.

The other legislative priorities are specific to CTS. This next session will likely be virtual, and we are seeking input from legislators regarding our best approach to securing these changes. The first CTS priority is to adjust the current requirement that all recipients receive a high school diploma/GED from Washington state. Stakeholders have expressed this is a hurdle for non-traditional students (which is a vast majority of CTS participants). Older adults who may be long-time Washington residents but arrived here after high school are currently ineligible. Given the average age for community college goers (27), this requirement excludes adults who would otherwise benefit from reskilling through the CTS program. This eligibility requirement especially impacts the veteran and military communities.

The second priority is to address the fact that currently only credit-bearing programs are eligible to receive CTS funding even when a non-credit-bearing program leads to a high-demand career and an industry-recognized credential. This is particularly challenging because for some programs, different campuses treat the same program differently (e.g., on one campus, a commercial driving license program is credit-bearing and at another campus, the same preparation program and industry-recognized credential is non-credit, simply due to administrative decisions). This falsely limits some students access to these high-demand programs based on the accessibility of a given campus's administrative decision.

Finally, recipients of our Rural Jobs Initiative (RJI) can only pursue an eligible program at a community college in a rural county. This effectively prevents rural residents from large swaths of the state from meaningfully accessing the program. For example, the nearest community college campus to a student from Ferry County is in Spokane County. However, Spokane County does not meet the rural county eligibility requirements. Additionally, the move to more online learning may reinforce the need for this change since more rural students could take part in an online program, even if the program is based in an urban setting.

Monger reported that our critical legislative partners are steadfast in their support for the WSOS program. We are hearing their enthusiasm for our strong program outcomes. They have expressed prioritized support for programs which serve students of color in 2021 budget conversations and for our legislative priorities.

Program Update & What's Next

Connors announced that she just passed her one-year anniversary as the Executive Director at WSOS. She stated that this year's budget prioritized adequate staffing. We welcomed Vanesa (Vane) Contreras Rodriguez as Communications Coordinator to our External Affairs team. She will specialize in supporting our Scholar communications. With the addition of Rodriguez, we are increasing our social engagement, revamping our message platform and moving forward with strategic work. We have a fourth position posted for this team in a Communications Officer role.

The hiring for the Development team is now complete with two new additions. Jeric Quiliza joined the team as our Development Coordinator to support donor and gift data entry, donor reporting and acknowledgement. We also welcomed Sarah Szabo to the team as our new Philanthropy Advisor. Sarah will design and implement a major gifts program strategy for WSOS, managing a donor portfolio of champions with interest and capacity to make large-scale gifts to WSOS. We are now poised to engage in the feasibility study.

We realigned the Programs team by each scholarship: BaS, CTS and GRD. We welcomed Victor Zamora, Programs Director, to oversee the delivery and success of all our programs. Sue Ann Huang, our newly hired CTS Program Manager, will launch a support system for our CTS Scholars during this academic year.

The RJI is launched, and we are ready to learn. The biennium match is maxed with a \$1M investment. The goal of the RJI is to meet local industry demands which are specific to the region. Chemical dependency studies are addressing the opioid crisis in southwest Washington. Agriculture programs are focused in the Tri-cities regions. This scholarship provides additional support intended to offset hurdles for rural students. At least 400 Scholars will be supported over the next four years. Upcoming priorities include changing

legislation to maximize accessibility to online programs nearby colleges; seeking partners to reach the cap for the next biennium; and assessing impact of the scholarship award amounts.

Connors asked Board members for their thoughts on how we can best serve rural students. Smith stated that the biggest challenge for them is access to broadband, and he is excited that WSOS is focused on finding creative solutions. Park noted that we are unfamiliar with this space and she expressed appreciation for our taking on this challenge. Cecchetti suggested that we solicit input from affected rural students.

Connors thanked the Board for approving the program design for the advanced health care program (GRD). Approving the design has stimulated many valuable conversations. Connors expressed special thanks to Cecchetti and Wilson for establishing valuable connections. We are hopeful that the GRD can be launched in 2021. Reaching the biennium cap of \$1M would create an opportunity for a small pilot program. GRD is designed to address health care provider shortage gaps across the state with a physical and behavioral health focus and it targets rural and other medically underserved areas. Students would receive a scholarship and practicum remuneration to incentivize program completion and placement in medically underserved areas. Our goal is to support approximately 100 nurse practitioners over the five-year pilot. We are prioritizing a legislative fix to allow the program to launch in 2021. The first \$500K grant has been submitted, and we are advancing two other conversations. We are seeking \$2M to max the cap for two biennium and fund the pilot. We are also exploring which clinics we will utilize for the program base.

A feasibility study of our \$200M fundraising campaign has begun in earnest. The Ostara Group withdrew their proposal given internal changes within their team. We approached the runner-up from our competitive review, Breakthrough Northwest, and they provided a modified proposal within our budget. We have now officially launched the feasibility study in partnership with Breakthrough! We are engaging key partners in the Study Advisory Committee comprised of staff and community partners, including some Board members. In October, we will begin testing our case statement and soliciting feedback. The feasibility study interviews will be conducted through January 2021 with a preliminary report delivered to staff in early 2021 and a formal presentation to the Board at our March meeting.

At our January 2020 Board meeting, Connors shared her first exercise as Executive Director with a SWOT analysis of WSOS. Connors reported an update to that analysis. Through donor and legislator meetings, our strengths are widely known and recognized. Our weaknesses can be attributed to insufficient staffing, and we have made great strides with strengthening that this year. In terms of opportunities, CTS and RJI are off and running. The county and tribal matching are on hold. GRD has reinvigorated conversations with known partners. We are addressing our threats through legislative meetings and providing targeted resources to our Scholars so they can better navigate COVID impacts.

Our strategic priorities are well underway with Polenska's focus on delivering scalable, statewide programs. Building the brand is moving forward with the additional staff who have been hired. Funding to 2030 will now become possible with the feasibility study underway and Szabo's addition on staff as our Philanthropy Advisor.

Board members expressed their gratitude for Connors's hard work and vision.

Finance & Program Administrator Update

Connors announced that two excellent Board member candidates have been identified and both are being vetted by the Governor's office. She hopes to name them at our December Board meeting.

Connors presented a financial report through 7/31/20. Total assets increased 8% since April to \$120.9M, and investment returns also increased. The state match was recorded with the \$2.5M pledge statement from Gary Rubens. Total liabilities decreased by 1% to \$28.3M due to scholarship disbursements. Net assets of \$92.6M represent an 11% increase. The Brad Smith RJI pledge of \$1M covering four years was paid in full in August. That still shows as a receivable on the 7/31/20 financial statements. Avista Corp. made a \$30K pledge (\$10k paid in 2020 with the remainder paid over the next two years) and Boeing made a \$100K pledge. Costco doubled their commitment to sponsoring OTalks from \$50K to \$100K. The state had

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promised \$500K but we received \$250K as implementation funds, not as the state match. The balance will be received within the fiscal year.

Connors presented proposed substantive and non-substantive changes to the Finance & Investment Committee Charter.

Board Action: Cecchettini made a motion to approve the changes to the Finance & Investment Committee Charter. Miller Adams seconded it, and it carried unanimously.

The meeting adjourned at 2:52 pm.

Respectfully submitted,
Karyl Gregory

DRAFT

Tab B

Mission Moment: Opportunity Scholar Story

SCHOLAR SPOTLIGHT



RASHID MEHMOOD

**Bachelor of Applied Science – Cybersecurity
Spokane Falls Community College**

ABOUT RASHID

Rashid Mehmood is a Scholar Lead from Multan, Pakistan, who currently lives in the Spokane area. Rashid plans to enter the field of cybersecurity and currently attends Spokane Falls Community College pursuing a Bachelor of Applied Science in Cybersecurity. In addition to his studies, Rashid is involved with [Applied Technology Club](#) and serves as a Data Specialist at [Engie Impact](#) in Spokane, Washington. As a first-time Scholar Lead, Rashid has been able to connect with his fellow Scholars and further develop his communication skills.

IN HIS OWN WORDS

“The impact WSOS has created is very amazing. WSOS has helped me financially to pay for my college and books and supported me to create my resume which will help me to find my career-related job.”

Tab C

Legislative Report

2020 LEGISLATIVE REPORT

WASHINGTON STATE
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NEW ADDITIONS IN 2020

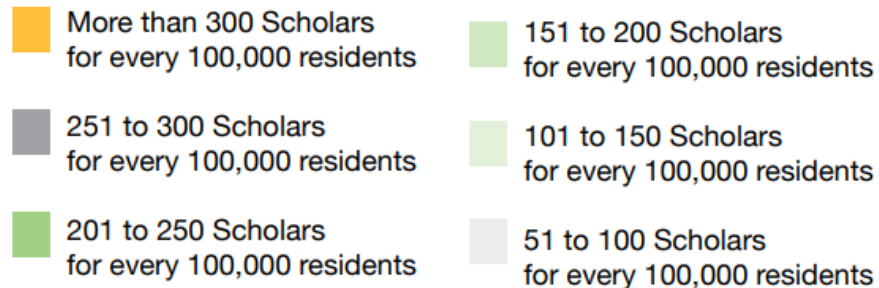
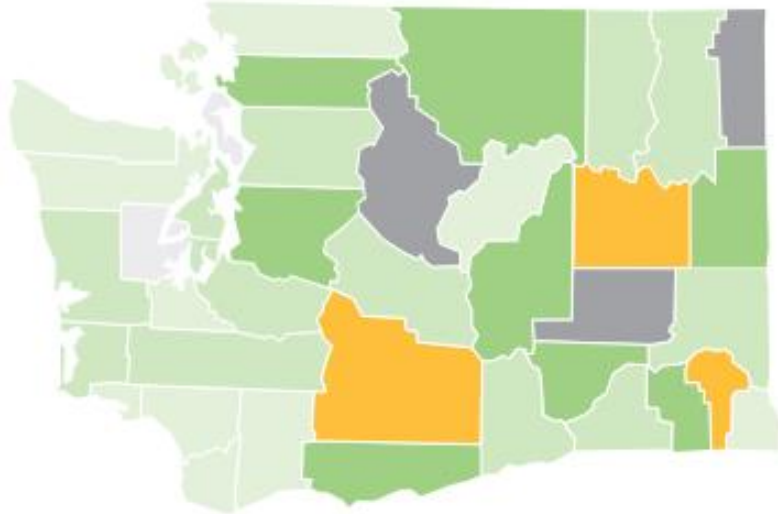
- First full CTS cohort
- First Rural Jobs recipients
- Funding for GRD
- Partnership to measure outcomes with ERDC

TOP-LEVEL HIGHLIGHTS

- **Geography:** We serve the entire state.
- **Economy:** We fill the jobs the state needs most.
- **Impact:** We transform the lives of our Scholars.

BaS IMPACT

Geography



Economy

Top related WA industries

1. Information Technology
2. Health Care
3. Biology/Biomedical
4. Engineering

Top Cohort 9 fields

1. Information Technology (26%)
2. Engineering (23%)
3. Health Care (19%)
4. Biology/Biomedical (14%)

Scholars

2x

more likely to graduate
in 4 years

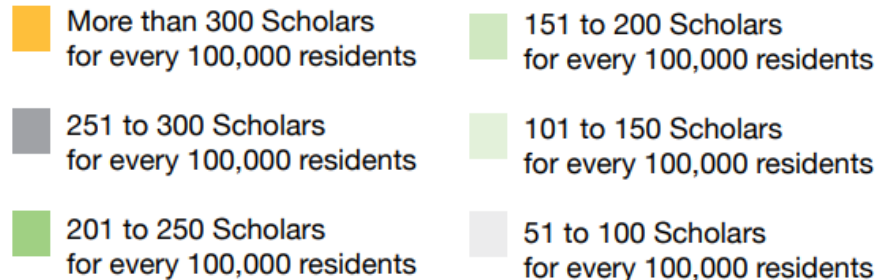
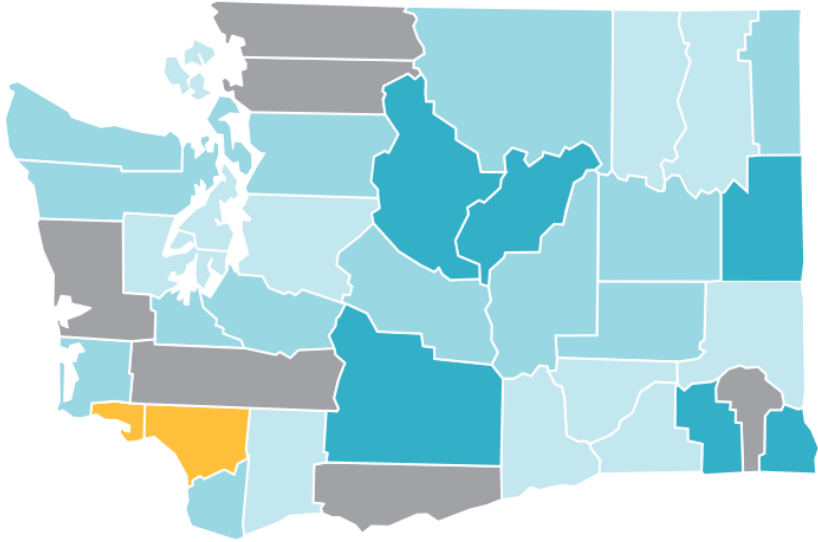
Earn

2x

more than their family

CTS IMPACT

Geography



Economy

Top related WA industries

1. Trades
2. Information Technology
3. Health Care
4. Engineering / Manufacturing

Top Cohort 1 fields

1. Health Care (33%)
2. Information Technology (28%)
3. Trades (25%)
4. Engineering / Manufacturing (13%)

Scholars

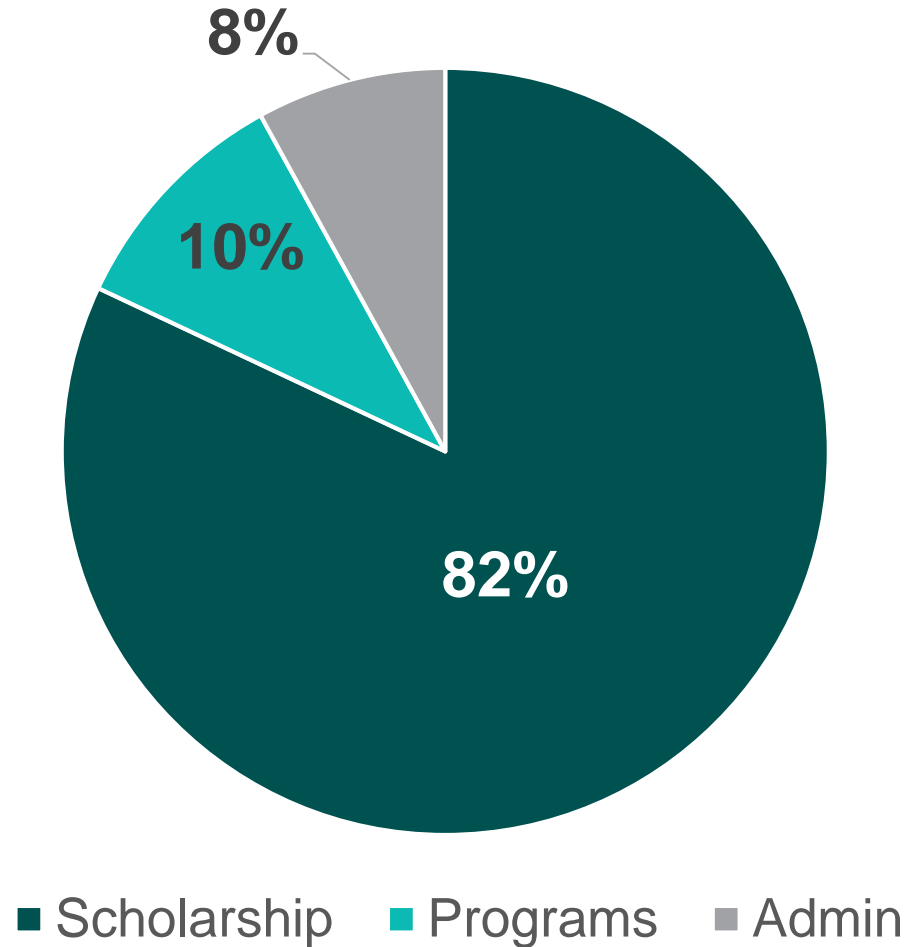
By March 2021, we will have selected:

- 1,100 CTS recipients
- 50 RJI recipients

~3x

Increase to family income (projected)

OPERATIONAL EXPENSES: 11/1/19-10/31/20



- **Scholarship** includes direct scholarship disbursements (\$17M, up from \$15M)
- **Programs** includes Awards, Programs and Ext Aff (\$2.2M, up from \$1.7M)
- **Admin** includes Development and Mgmt/General (\$1.7M, down from \$2M)

Tab D

Program Update: 2020 in Review

PROGRAM UPDATE | DECEMBER 2020

INTRODUCTION

Since the September 2020 Washington State Opportunity Scholarship (WSOS) Board meeting, the WSOS team has focused on ramping up CTS programming, hosting a successful first-ever virtual event and sending off our annual Legislative Report – while also selecting the fall cohort of Career and Technical Scholars and Rural Jobs recipients! Like you, our staff are still managing the impacts of COVID-19. We're all working remotely, and we're being creative about staying connected to each other and our Opportunity Scholars while we await mass distribution of a vaccine.

AWARDS ADMINISTRATION

The Awards team supported the delivery of the 2020 Legislative Report under the leadership of the External Affairs team. It features a full overview of Baccalaureate (BaS) Cohorts 1-9 and Career & Technical Scholars (CTS) Cohort 1, as well as a summary of the CTS Cohort 2 and Rural Jobs Initiative (RJI) recipients selected this fall.

This year's report featured outcomes data delivered by the Office of Financial Management's (OFM) Education Research and Data Center (ERDC) which has agreed to report on our program outcomes on an annual basis. ERDC reported the following outcomes for BaS participants:

- 74% graduate within 6 years—significantly higher than both the national average of 61% for students attending public institutions and 67% for students attending private nonprofit institutions.
- 79% of graduates earned a degree in a high-demand field.
- Graduates working full-time earned an average of \$63,200 in their first year after college. In their fifth year after college, they earned an average of \$91,300—more than double the typical income of their families when they applied for the scholarship.

With this year's report, WSOS has fully implemented both recommendations made by the Joint Legislative Audit Review Committee (JLARC). Moving forward, we will annually include outcome data in partnership with ERDC and include all operating costs.

The Awards team is onboarding the newest Opportunity Scholars selected through the winter CTS application cycle. Of the 171 selects, 165 are CTS and 18 are RJI recipients. The team is preparing to open the spring CTS application window in January which will solicit applications for the final 110 CTS and 12 RJI seats for the academic year.

The application for the tenth cohort of Baccalaureate Scholars opened on December 7. The deadline to apply is February 11. The team opened the scholarship one month earlier than usual to maximize the accessibility and influence of the scholarship to accommodate a two-month application window while closing early enough to ensure recipients are notified well before their deadline to select their college. We will select 750 recipients this cycle.

In preparation for the launch of the BaS application, the Awards team completed its biannual update of the eligible majors in alignment with the Board-approved guidelines. The list is similar to years past, with majors in health care, information technology and engineering representing the bulk of the list.

SCHOLAR SUPPORT SERVICES

BACCALAUREATE SUPPORT SERVICES

Opportunity Scholars across the state continue to adjust to the reality of COVID-19. We continue to hear stories of Scholars struggling with technology access, housing or food insecurity and their general health and wellness. Since the beginning of the academic year, the Baccalaureate team has focused on creating and delivering intentional resources. Scholar Leads are checking in more often and with greater consistency than in previous years, and we continue to encourage Scholars to take advantage of campus

resources. To date, 81% of our first- and second-year Scholars have submitted an academic plan which is linked to persistence.

The 2020-21 Skills that Shine (StS) mentorship program officially launched with a total of **880** mentorship pairs. For the last few months, mentor-mentee pairs have been steadily working through their online guides with 67% of mentees submitting a tailored resume and cover letter earlier this month. A mentee recently shared with us: "I'm learning a lot of valuable information and have been working a lot with my mentor. In fact, I'm about to have another meeting with him as we speak!"

Since the pilot of what is now StS with Boeing employees five years ago, the program has scaled significantly supporting thousands of Scholars. We are extremely grateful for Boeing's continued support and involvement in mentorship and encourage you to check out the highlight of WSOS alumni, mentor and Boeing employee, Matt Vay, on page 13 in the Legislative Report [here!](#)

In addition to facilitating industry connections through StS and supporting 3rd – 5th year Scholars in their professional development, we're focused on securing career opportunities from STEM and health care employers across the state that will prioritize Scholars in their hiring. If your organization or an organization you're connected with could benefit from hiring Opportunity Scholars, please consider reaching out directly to our Hannah Olson, our Industry Engagement Manager at holson@waopportunitiescholarship.org. We have observed third- through fifth-year Scholars aren't taking advantage of WSOS career development resources at scale. We are evaluating what's driving the less-than-ideal usage and taking actions to improve relevancy and access.

CAREER AND TECHNICAL SCHOLARSHIP SUPPORT SERVICES

Thanks to the support of the Boeing grant, the WSOS team welcomed Sue Ann Huang as our CTS Program Manager in late September. Sue Ann is passionate about supporting students from marginalized communities and how race and identity play out in higher education. Sue Ann comes to us with over ten years of experience supporting college students and is currently completing her doctoral program in educational leadership. We are also excited to share that Cristal Rangel Peña has been selected as the CTS Advisor beginning in January. Cristal has been working with WSOS on the Awards team for the past two years as the Awards Coordinator and is excited to take on this growth opportunity. (The Awards team will begin the hiring process to fill the now-vacant Awards Coordinator role in the new year.)

In the first two months Sue Ann has been in-role, she has been onboarding and getting to know the baccalaureate supports we provide in order to familiarize herself with the WSOS model. Additionally, she has met virtually with numerous career and technical college community members to gain a more in-depth understanding of our CTS Scholars' and partners' needs. We're hearing there are resources on campus to support students' academic success but that we can add value by increasing visibility and access to existing resources to promote college persistence. The real identified need is in career development; this support varies widely, and we've begun to build systems to support Scholars with supports such as resume writing and networking to increase job attainment. We look forward to codifying a support services strategy and reporting back to the Board at the March meeting.

GRADUATE SCHOLARSHIP

The past few months have been exciting for the Graduate (GRD) Scholarship program. Through the great work of our Development team, we secured a \$500,000 grant from Ballmer Group to initiate the program in fall of 2021. The External Affairs team will seek the state match this upcoming session in order to allow for program launch. In the next six months, the Programs team will begin enacting strategy with a focus on building relationships with campus and practicum site partners. We aim to hire the first GRD Program Manager by late spring of 2021 once the state match is secured.

DEVELOPMENT UPDATE

2020 OPPORTUNITYTALKS BREAKFAST

In a year of firsts and pivots, an exclusively online fundraiser replacing a high-energy, in-person breakfast was certainly on the list of challenges for the WSOS Development team. To avoid technology challenges and ensure quality, each segment of the virtual event was pre-recorded and edited into a seamless, hour-long production scripted to feel live. Woven throughout was the invitation to donate in support of Scholars like our featured students Edgar and Michelle. Executive Leadership Committee members hosted virtual tables supported by a mobile giving platform, Mobile Cause. Friends old and new supported in a big way:

- 1,092 people registered, 302 more than the number of registrants for the 2019 breakfast.
- Just over 700 people watched the event live, and 2,045 unique views of the video have been logged as of 12/07/2020.
- More than \$800,000 (including the state match) has been raised.
- Over half of all donations were received before the screening through peer-to-peer fundraising.

In a year when many nonprofits have had to scramble to raise a fraction of their annual fundraising revenue, WSOS supporters showed up (while staying home) in a big way. Given the new format, our goal was to raise \$500,000 or half of what we might have expected in a “normal” year. Our expectations were exceeded on every count. The OpportunityTalks campaign continues through December 31. We are deeply grateful for Board member support of the OpportunityTalks Challenge Fund which, combined with the state match, quadrupled the first \$100,000 in donations.

FEASIBILITY STUDY UPDATE

Work continues with the Breakthrough Fundraising Group as we finalize our case statement. The Study Advisory Committee, comprised of WSOS friends and donors, reviewed the first draft and gave excellent feedback. As a result of this feedback, the focus of our case statement and other messaging for the campaign has shifted from a need-based appeal to one that highlights the upward trajectory of WSOS, growing from one to four programs under the Opportunity Scholarship banner. The main appeal of the campaign messaging will center on the following: 1) WSOS delivers on its promises to Scholars, to industry and to Washington taxpayers as demonstrated with strong impact data; and 2) The return on investment for the next round of major gift donors is clear and their financial support will be doubled by the state match. We are excited to invite both returning and new funder support for a program with a proven 10-year track record of successful student outcomes.

We are refining our feasibility study approach to capitalize on fundraising best practices while also honoring WSOS’ unique position as a nonprofit with such a strong record of success and highly engaged partners. We will employ the classic feasibility study interview format to seek stakeholder feedback from a small group of ~10 WSOS champions who know WSOS well. These interviews are not ask-based; the participants will be invited to review and comment on the case statement, other messaging, goal and timing for the campaign. During the interview, champions will be asked their opinion of how the appeal might resonate with others and to share how they see themselves supporting the campaign. Additionally, interviewees will be asked to suggest others who might have interest in learning about the campaign and to whom they could make introductions. Recognizing the engagement of existing partners and the visibility of some of our strongest partners, we will also engage in a peer-to-peer fundraising effort separate from the Breakthrough Northwest team to secure early commitments to the campaign in early 2021.

Board members are critical partners in this work! Thank you for your support – whether participating in the Study Advisory Committee or helping us develop the case statement – your advice and perspective are valued and appreciated. The feasibility study interviews will be conducted in January and February with a preliminary report delivered to staff and the Study Advisory Committee.

GRANTS UPDATE

Since the last Board meeting, WSOS has received significant grant support from two of our Cornerstone Partners: Ballmer Group and Boeing. We received a \$500,000 grant from Ballmer Group in support of the Graduate Scholarship (GRD). This grant will fund a pilot program designed to support the need for health care professionals with advanced degrees in remote and medically underserved areas.

The Boeing Company made a \$100,000 grant to WSOS to support the hiring of two new positions for the Career & Technical Scholarship (CTS): a CTS Manager and a CTS Advisor. Both positions have recently been filled and work is underway to research, design and develop student supports specific to the needs of CTS students.

We have also received a \$32,500 grant from Bristol Myers Squibb (BMS) to renew its named scholarship for the current academic year. Matched by state dollars, BMS' funds support two Baccalaureate Scholars and two Career & Technical Scholars.

EXTERNAL AFFAIRS UPDATE

2021 LEGISLATIVE PRIORITIES

We have been working with legislators and legislative staff to secure prime sponsors for a bill to advance our legislative priorities for 2021. We have heard great feedback and have seen initial drafts of the bill language that will help us address the following statutory challenges:

- **The requirement that recipients must have a high school diploma/GED from WA and the condition to only fund credit-bearing programs limit access to CTS.** Stakeholders have expressed that requiring Opportunity Scholars to have a Washington state high school diploma or GED credential is a hurdle for non-traditional students. Older adults who may be long-time Washington residents but arrived here after high school are currently ineligible. This eligibility requirement especially impacts veteran and military communities and re-skilling adults. Of additional concern is that by statute, only credit-bearing programs are eligible to receive CTS funding. However, there are high-demand programs that lead to industry-recognized credentials that are non-credit-bearing. On fixing both issues, legislators have expressed support.
- **RJI requirements currently limit funding only rural campuses which limits access for rural residents without a nearby college.** Recipients of RJI need to be from a county defined in statute as rural, and they also need to be pursuing an eligible program in a community college in a rural county. This effectively prevents residents from rural areas without a nearby community college from meaningfully accessing the program. For example, the nearest community college for a student from Ferry County is in Spokane County. However, Spokane County is not considered rural. Therefore, a student in very-rural Ferry County would not be able to attend their closest community college and qualify for RJI. We are working with legislators to modify the language to mitigate this while also making online learning more accessible.

STAFFING UPDATE

We are pleased to introduce Tori Campbell as our new Communications Officer. She comes to the External Affairs team from New Beginnings where she led their annual fund giving program, social media and website. Her experience includes marketing, communications, graphic design, videography and social media management. She has also worked as a fundraiser for several nonprofits and has served on local arts boards. Tori will specialize in our digital presence and external communications.

Tori's hiring completes the External Affairs team, and we are now operating with a full four FTE. Having our full team on board will allow us to advance our strategic priority to build the brand with greater capacity in 2021 and beyond.

SOCAL MEDIA COVERAGE (SEPTEMBER – NOVEMBER)

Twitter

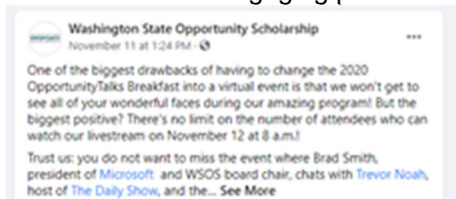
- 1,867 followers as of December 2, 2020
- Total impressions from September-November 2020: 37,388, an increase of 98.8%
- Top follower was @joy_resmovits who has 20,200 followers
- Top Tweet September-November 2020:
- Our top tweet this period was about the 2020 OpportunityTalks Breakfast.

Top Tweet earned 6,236 impressions

The 2020 OpportunityTalks Breakfast is going virtual! Join us on 11/12 at 8 a.m. for an hour of inspiration. We'll welcome @BradSmi, president of @Microsoft, as he chats with @Trevornoah, host of @TheDailyShow, and they'll play "Are You Smarter than an Opportunity Scholar?"
pic.twitter.com/DMHSiHQ6DN

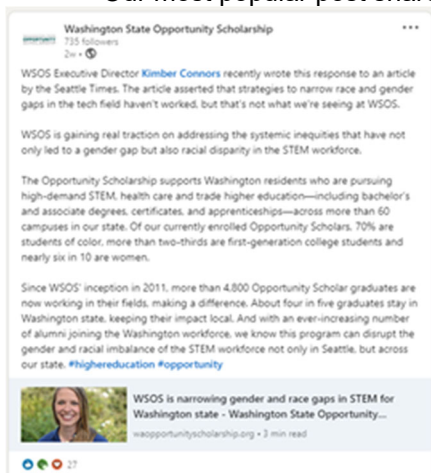
Facebook

- 3,976 Page Followers as of December 2, 2020
- Total reach from September through November: 17,599
- Top Post: November 11, 2020
- Our most engaging posts were related to the 2020 OpportunityTalks Breakfast



LinkedIn

- We had 735 followers as of November 30, 2020
- Over the past 30 days, unique views of our page have gone up 7%
- We've gained 47 new followers in the past 30 days, an increase of 6.8%.
- 33.7% of visitors are in the Higher Education or Education Management field.
- Top Post: November 19, 2020
- Our most popular post shared Kimber Connors' response to a Seattle Times article.



Instagram

- 600 followers as of December 2, 2020, an increase of 11%
- Top Post: November 9, 2020
- Our most popular post was a repost of Jane's video while filming for the 2020 OpportunityTalks Breakfast.



FINANCE & INVESTMENT COMMITTEE 2020 SELF-EVALUATION

The charter of the WSOS Finance & Investment Committee states “the Committee will annually evaluate its own performance in the fourth quarter with respect to the requirements of the Finance and Investment Committee Charter. This evaluation will be reported back to the Board during one of the quarterly Board meeting updates.” This required self-evaluation was performed in December 2020 and the results of which are outlined below.

Members were asked to rate on a scale of 1 to 5 (1=not at all; 5=completely) the extent to which a series of statements were true. They reported the following average scores:

- They understand the committee’s purpose & responsibilities: 4.75
- The actions taken by the committee align with its purpose & responsibilities: 4.75
- Meeting agendas support the committee’s purpose & responsibilities: 4.25
- Pre-read materials support the committee’s purpose & responsibilities: 5
- The WSOS Board of Directors supports and endorses the committee: 4.75

Members also shared reflections on what’s working well. Phrases of interest from these open-ended responses include: “great management of capital, transparent and thoughtful communication and reporting”, “materials and agenda organized...while also providing the opportunity to ask questions”, “thorough pre-read materials”, “general updates from the Board level are helpful in aligning on our goals as a committee” and “excellent long-term oriented thinking as a committee”.

Members shared constructive feedback for ways the committee can continue to evolve in its performance and submitted thoughts on goals for 2021. Phrases of interest from these open-ended responses include: “additional insight and perspectives from the Board on what topics/risks are top of mind for us to more deeply consider”, “spend less time on review and more time on discussion in meetings”, “focus more on story-telling and interesting strategic topics”. The evaluation in its entirety is available upon request to any Board member.

PROGRAM UPDATE: 2020 in Review

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5-YEAR STRATEGIC PRIORITIES

Develop Scalable, Statewide Programs

- Develop scalable programs for BaS, CTS and GRD
- Demonstrate impact across the state
- Focus on intended impact & theory of change
- Maintain Scholar-centric value

Build the Brand

- Build state-wide awareness of program & Scholars
- Demonstrate thought leadership & evidence of impact
- Build partnerships in new spaces (tribal, county, municipal, new employer partners)

Fund to 2030

- Define five-year fundraising strategy to raise next \$200M
- Fund scholarship model through 2030
 - Cohorts of 1,200 BaS
 - Cohorts of 1,200 CTS
 - 800+ served in RJJ
 - ~100 served in GRD pilot

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2020 WAS A YEAR WE'LL NOT SOON FORGET.

- **The Backdrop of 2020**

- ✓ COVID-19
- ✓ National reckoning on racism
- ✓ Contentious election year

- **Develop Scalable, Statewide Programs**

- ✓ Reorganize the programs team structure to align with service delivery.
- ✓ Launch CTS support services.
- ✓ Design & receive approval for Rural Jobs program.
- ✓ Design & receive approval for GRD program.
- ✓ Grow Skills that Shine to scale (from 250 to nearly 900 pairs).

X Finalize KPIs and dashboard for reporting at the Board level.

2020 WAS A YEAR WE'LL NOT SOON FORGET.

- **Fund to 2030**

- ✓ Expand FTE on development team.
- ✓ Draft internal development strategy.
- ✓ Launch feasibility study.
- ✓ Hit 2020 revenue targets which include \$1.5M in revenue above “normal year”.
- ✓ Ensure release of \$500K in implementation dollars.
- ✓ Secure Rural Jobs cornerstone partner.
- ✓ Secure GRD cornerstone partner.

X Secure returning commitment of one cornerstone partner for \$200M campaign.

X Secure tribal, county, municipal partnership with at least two initial funders.

- **Build the Brand**

- ✓ Expand FTE on external affairs team.
- ✓ Strategically fill two vacant Board of Directors positions.
- ✓ Launch Industry Insider pilot for 2020-21 academic year.
- ✓ Grow social media presence and engagement.
- ✓ Capitalize on virtual meetings for interim face-time with legislators.

X Develop white paper to poise for 2021 national visibility.

**LET'S MAKE 2021 A YEAR WE WON'T WANT
TO FORGET.**

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Tab E

Baccalaureate Selection Principles

BACCALAUREATE SELECTION PRINCIPLES

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TODAY'S GOALS

- Review Baccalaureate selection principles
 - Approve selection principles for Baccalaureate Cohort 10
-

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PROPOSAL TO APPROVE

- To date, the Board has set the **BaS selection criteria based on live data** after the application closes each year
- Moving forward, **we propose approving selection principles in advance** that are more likely to remain consistent each year
 - Provides more **transparency** of how state dollars are spent
 - Clarifies the **values** that underlie our selection process
 - Creates a more **sustainable and efficient process** for the Board

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SELECTION PRINCIPLES

- Select Scholars who are heading into **high-demand careers** across Washington state
 - Select Scholars who are **likely to graduate with a degree in STEM or health care**
 - Select Scholars who are more **likely to complete their degree or program if they receive a scholarship**
-

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BACCALAUREATE SELECTION MODEL OVERVIEW

Factors	Purpose
Intended Major	Prioritize the jobs WA needs most
Community Opportunity	Prioritize the communities that need these jobs the most based on unemployment by zip
Family Income	Prioritize applicants least likely to graduate without our support
First Generation	Prioritize applicants least likely to graduate without our support
STEM Essay	Prioritize applicants most likely to graduate in STEM / HC
Resilience Essay	Prioritize applicants most likely to graduate from college
GPA	Prioritize applicants most likely to graduate from college

PROPOSED POINT ALLOCATIONS

Summary of changes

1. Increase intended major by 5 points
2. Redistribute community opportunity points across family income and first generation
3. Equalize weight of essays and GPA

Factors	2020 Weighting	2021 Proposal
Intended Major	20	25
Community Opportunity	12	0
Family Income	15	20
First Generation	8	15
STEM Essay	12.5	10
Resilience Essay	12.5	10
GPA	20	20

ENSURING SCHOLARSHIP ATTAINABILITY

- We recommend using **limitation factors** to ensure scholarship attainability
 - **Problem:** Let's say giving 20 points to income makes the scholarship unattainable to middle-income applicants.
 - **Solution:** Set a limitation factor to ensure that low-income applicants are not 3x more likely to be selected than middle-income applicants.
-

BOARD VOTE: BaS SELECTION PRINCIPLES

Factors	2020 Weighting	2021 Proposal	Limitation Factors
Intended Major	20	25	Applicants that select highest demand major should not be 5x more likely to be selected than those that select the lowest demand major
Community Opportunity	12	0	--
Family Income	15	20	Low-income applicants should not be 3x more likely to be selected than middle-income applicants.
First Generation	8	15	First-generation applicants should not be 4x more likely to be selected than non-first-generation applicants.
STEM Essay	12.5	10	<div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>No limit. All points deducted from the factors above will be evenly distributed between GPA and the essays.</p> </div>
Resilience Essay	12.5	10	
GPA	20	20	

Tab F

Fund to 2030: Progress on \$200M

SARAH SZABO | PHILANTHROPY ADVISOR

Ten years ago, Sarah enrolled in NYU's graduate program for Museums Studies and Latin American & Caribbean Studies (Anthropology) with the dream of managing an ethnography collection. When she was offered an internship at the National Museum of the American Indian (NMAI), she was excited, even though the internship was in the Development department. After an incredible year interning at NMAI, she realized that fundraising combined the analytical, data-driven side of her personality with the relationship building, extroverted side which had led her to conduct ethnographic field research in Costa Rica and Ecuador.

Sarah is a Certified Fundraising Executive with extensive experience in developing and managing major gift programs built on data-centered relationship management systems. She believes in the power of relationships and knows that data informs the most successful fundraising work.

For the past eight years, she has been fundraising in arts and cultural institutions in Seattle. At the Center for Wooden Boats (CWB), she launched the public phase of a successful capital campaign, managed major gifts and planned giving programs and executed CWB's first, very successful crowdfunding campaign.

At Town Hall Seattle, she transitioned the organization's relationship management system from DonorPerfect to Salesforce. Following the transition, she designed and executed on the major gift strategy for another successful capital campaign while increasing operations revenue at the same time. She also created a planned giving program and closed the largest estate gift ever received by the organization.

At Pacific Science Center, she built out a custom relationship management system in Salesforce for major and planned giving, managed annual major gift prospecting and discovery programs and prospect research systems. All of this resulted in a 150% increase in her portfolio revenue over three years.

She has a deep commitment to education access having received need-based scholarships to make her undergraduate dreams possible. She currently serves on the Bushwick Book Club Northwest Board of Directors. She loves to travel and considers it part of her lifelong personal education and growth. Sarah has been scuba diving for the past five years, both in Puget Sound and internationally, where she enjoys being part of and photographing the underwater world.

FUND TO 2030: PROGRESS ON \$200M

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OPPORTUNITYTALKS 2020 WAS A BIG WIN.

- **1,092 registrations** compared to **790** in 2019
- **About 700 live** viewers and **2,045 unique video views** as of 12/07
- **74** virtual tables
- **490** individual donors
- **296** new donors
- **35** increased donors

Total \$ raised to date including state match: **\$826,807**

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Opportunity Scholar
MICHELLE TO



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EXPECT A HYBRID 2021 EVENT.

- **Goal:** Produce an online fundraiser to stream in addition to the in-person breakfast.
- **Rationale:** Create two ways to participate and invest in Scholars that broadens our audience.
- **Carry-forward from 2020:** Continue online peer-to-peer fundraising through mobile platform and go paperless for credit card donations for both in-person and virtual events.



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YOUR FEEDBACK MAKES A DIFFERENCE.

- What did you **miss** about an in-person event?
- What was a **gain** with the virtual event?
- Thinking about the start-to-finish promotion, communication and execution of this year's event, **what stands out to you?**



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REVENUES EXCEED BUDGET.

	Actual	Budget	Difference
Contributions	\$ 2,248,720	\$ 1,705,590	\$ 543,130
State Match Revenue	\$ 3,716,950	\$ 4,205,591	\$ (488,641)
*Outstanding (excess of current appropriations)	\$ 1,00,570		
Investment Income	\$ 3,884,579	\$ 424,000	\$ 3,460,579*
Other Income	\$ 312,500	\$ -	\$ 312,500
Investment Expense	\$ (53,130)	\$ (57,800)	\$ 4,670
	\$ 10,109,619	\$ 6,277,381	\$ 3,832,238

As of October 31, 2020

**We do not include realized/unrealized gains in budget which explains most of the difference.*

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REVENUE KEY TAKEAWAYS

- Contributions outperformed budget by **\$540K**.
- State \$ (match + implementation funds) outperformed budget by **\$820K**.
- **...but we know these are still small compared to \$200M.**
- **Ambitious revenue goals in 2021** are based on major giving execution starting next year.

\$100M CAMPAIGN GIFT CHART

Gift Size	# Needed	Category Total	% of Total	Running Total
Cornerstone Giving			50%	
\$ 20,000,000	1	\$ 20,000,000		\$ 20,000,000
\$ 15,000,000	2	\$ 30,000,000		\$ 50,000,000
Leadership Giving			33.5%	
\$ 5,000,000	3	\$ 15,000,000		\$ 65,000,000
\$ 2,500,000	5	\$ 12,500,000		\$ 77,500,000
\$ 1,000,000	6	\$ 6,000,000		\$ 83,500,000
Achievement Giving			6.5%	
\$ 500,000	7	\$ 3,500,000		\$ 87,000,000
\$ 250,000	8	\$ 2,000,000		\$ 89,000,000
\$ 100,000	10	\$ 1,000,000		\$ 90,000,000
Annual Giving & Sponsorships			10%	
Up to \$99,999	Many	\$ 10,000,000		\$ 100,000,000

Campaign gifts may be pledged over 5 years

EXISTING FUNDRAISING FALLS INTO ANNUAL AND ACHIEVEMENT GIVING.

- **Annual Giving: Up to \$99K**
 - Corporate and other small grants
 - OpportunityTalks campaign
 - Challenge Fund
 - Sponsorships
 - All other donations (pre- and post-event, day-of giving)
- **Achievement Giving: \$100K to \$500K**
 - Named scholarship program
 - Large grants

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OUR FUNDRAISING STRATEGY IS PIVOTING & WE'VE STAFFED UP.

- **Historically, fundraising has been event-based.**
 - Funding to cover yearly operating costs
- **There was no need for a major gifts program.**
 - Money in the bank to fund commitments through 2021, then 2025
 - Sunset model
 - Corporate partners have been biggest recurring donors
- **Our strategy has pivoted.**
 - We're not sunsetting
 - Adding expertise where it's needed now
 - What's in a name?

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MEET OUR NEW MAJOR GIFTS EXPERT!

Sarah Szabo, CFRE **Philanthropy Advisor**

Background and Experience

- The Center for Wooden Boats
- Town Hall Seattle
- Pacific Science Center

The First Three Months

- Meeting donors through OpportunityTalks
- Beginning donor stewardship practices
- Assessing donor database need and opportunity
- Building relationships driven by data

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WE'RE LAUNCHING A CYCLICAL APPROACH.

Five-Year Fundraising Cycle

- Ongoing support is the new message
- One WSOS: four impactful programs
- Pledges payable over five years
- Reduce reliance on cornerstone support by expanding our donor pool



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\$100M CAMPAIGN GIFT CHART

Gift Size	# Needed	Category Total	% of Total	Running Total
Cornerstone Giving			50%	
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\$ 15,000,000	2	\$ 30,000,000		\$ 50,000,000
Leadership Giving			33.5%	
\$ 5,000,000	3	\$ 15,000,000		\$ 65,000,000
\$ 2,500,000	5	\$ 12,500,000		\$ 77,500,000
\$ 1,000,000	6	\$ 6,000,000		\$ 83,500,000
Achievement Giving			6.5%	
\$ 500,000	7	\$ 3,500,000		\$ 87,000,000
\$ 250,000	8	\$ 2,000,000		\$ 89,000,000
\$ 100,000	10	\$ 1,000,000		\$ 90,000,000
Annual Giving & Sponsorships			10%	
Up to \$99,999	Many	\$ 10,000,000		\$ 100,000,000

Campaign gifts may be pledged over 5 years

OUR MAJOR GIVING APPROACH IS BASED IN BEST PRACTICES.

Lay the foundation.

- Feasibility study: widen the pool & test the message
- Transition to Salesforce: the tool we need to plan, track and evaluate

Build donor engagement.

- Make the ask: new and renewed support

Discover potential support.

- Identify and qualify prospects

Refill the pipeline.

- Opportunity Talks
- Eat, Drink, Talk Opportunity
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Tab G

Finance & Program Administrator Update

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**FINANCE & INVESTMENT COMMITTEE
MEETING AGENDA
TUESDAY, DECEMBER 8, 2020 | 2:00-3:30 P.M.**

See the meeting invitation for the Zoom meeting link

I.	Meeting Called to Order		Julie Sandler Board Member	2:00p
II.	Approval of Minutes from September 8 Meeting	[Tab A]	Julie Sandler Board Member	2:00-2:05p
III.	Program Administrator Report	[Tab B]	Matt Poth WA STEM	2:05-2:30p
IV.	WSIB Quarterly Performance Report	[Tab C]	Chris Phillips WSIB	2:30-2:50p
V.	Program Update	[Tab D]	Kimber Connors WSOS	2:50-3:25p
	› <i>Committee Action:</i> Recommend Joseph Walker join F&I			
	› <i>Committee Action:</i> Approve short-term investment policy			
	› <i>Committee Action:</i> Approve undesignated policy			
	› <i>Committee Action:</i> Recommend 2021 budget adoption			
VI.	Executive Session		Julie Sandler Board Member	3:25-3:30p

UPCOMING MEETINGS:

Thursday, March 11, 2021 at 2-3:30p
Thursday, June 3, 2021 at 2-3:30p
Thursday, September 9, 2021 at 2-3:30p
Wednesday, December 8, 2021 at 1-2:30p

Committee Questions for Consideration:

- › Are there market impacts ahead WSOS should consider given the outcome of the presidential election?
- › What should WSOS keep in mind when evaluating Key Bank's benchmark recommendation?
- › Are there any concerns or recommendations to improve the policies (short-term investment and undesignated funds) as proposed?
- › Did anything arise when completing your evaluation that you want to share for the group to discuss?
- › Is there anything you didn't share in your evaluation you want the committee to know?
- › Given the lingering effects of COVID-19, what should WSOS consider as we head into 2021 from a budget or investment perspective?
- › Are there any red flags you anticipate the Board seeing as risks or outliers in the 2021 proposed budget?
- › What should WSOS and WSIB keep in mind about how we approach the scholarship modeling and asset allocation for the graduate scholarship model?

Tab A

Approval of September 8, 2020 Minutes

FINANCE & INVESTMENT COMMITTEE MEETING MINUTES | TUESDAY, SEPTEMBER 8, 2020

Members present via Zoom: Mack Hogans (Committee Chair); Brad Faulhaber, Elisa La Cava, Matt Rubright and Julie Sandler

Other participants present via Zoom: Kimber Connors (WSOS Executive Director), Karyl Gregory (WSOS), Chris Hanak (WSIB), Chris Phillips (WSIB), Matt Poth (Washington STEM), Yoko Shimomura (Washington STEM), Patrick Smith (Loftus Ranches) and Steve Walker (WSOS)

Mack Hogans called the meeting of the Washington State Opportunity Scholarship (WSOS) Finance and Investment Committee to order at 2:03 pm. Hogans conducted a roll call with a self-introduction of all committee members and those present from WSIB. To allow time for one more committee member to join the meeting to achieve a quorum, Kimber Connors introduced Patrick Smith, a WSOS board member candidate, and invited him to share his background. Smith stated that he is the CEO of Loftus Ranches, a fourth-generation farm in Yakima. He holds a Bachelor of Arts in Business Administration from the University of Washington, a Master of Science in Agricultural Economics from Purdue University, a Master of Business Administration from the Kelley School of Business at Indiana University, and a Master of Science in Business Analytics from the Stern School of Business at New York University. For five years, Smith worked at UBS Financial Services in investment banking and with the Bank of America Merrill Lynch in their Public Finance Group. In 2009, he rejoined the Smith family's farms which include hops, apples, hemp, and peppers as well as a brewery. Smith shared his enthusiasm for the mission of WSOS and his eagerness to serve on the WSOS Board and this committee, once approved by the governor.

One more committee member joined the meeting and introduced themselves. All remaining meeting participants were introduced by Connors.

Approval of Minutes from June 2, 2020 Finance and Investment Committee

Julie Sandler moved to approve the minutes of the June 2, 2020 meeting. Brad Faulhaber seconded the motion, and it carried unanimously.

Program Administrator Report

Matt Poth, Director of Finance at Washington STEM, presented financial statements through 7/31/20. Poth reported total assets of \$120.9M which is an 8% increase from 4/30/20, the last reported period. This increase is due in large part to investment returns during May through July, which was a great sign after the poor returns in February and March. The increase in cash included the \$2.5M Gary Rubens pledge payment, the \$250K WSAC implementation funds for the CTS program and \$408K in scholarship refunds which were offset by scholarship disbursements of \$273K plus operating expenses.

Poth stated that all state match revenues for Q1 and Q2 were invoiced on July 1 due to state appropriation availability and were paid out in early August to support the large disbursement in August. Normally the state match is invoiced quarterly. Regarding the ongoing reconciliation of funds with the College Success Foundation, the remaining ~\$258K needs supporting documentation for WSAC to match. Jenna Magnotti, WSOS Senior Development Officer, continues to work on this.

Brad Smith's pledge of \$1M covering four years for the Rural Jobs Initiative (RJI) was paid in full in August. This still shows as a receivable on the July 31 financial statements. The final Rubens pledge of \$2.5M also shows up as a receivable and is planned to be paid mid-2021.

In March, adjustments of \$596K were recorded to our scholarship liabilities for the CTS program. This increase was offset by disbursements between May and July for the BaS and CTS programs of \$40K and

\$233K, respectively. The liabilities will be adjusted further in August due to the new cohorts for both programs.

Yields total net assets are \$92.6M which represents an 11% increase from the period ending 4/30/20. Actual YTD investment income includes unrealized + realized gains of \$3.64M, interest and dividend income of \$98K and investment expense of \$37K.

Salaries and benefits are under budget by \$148K due to the delay of new hires. In addition, there were savings across other expense categories including professional/consulting, travel/conferences and operating expenses related to printing, staff professional development and computer equipment. Many of the savings have been due to the change in business norms because of COVID-19 moving gatherings and meetings virtual.

Poth noted that the program administration fee from WA STEM increased starting 7/1/20. This increase was negotiated between WA STEM and WSOS after the budget was already established. The budget also did not include the \$250K implementation funds received from WSAC for CTS. An additional \$250K will be received for FY21 which will impact 2020 revenue by half as invoicing is quarterly.

The state match from inception is \$93.6M and investment income from inception is \$19.2M. The Scholarship Account is \$108.6M and the Endowment Account is \$5.8M.

Matt Rubright asked about the impact of COVID-19 on our returning Scholars. Connors reported that they have completed their renewals at the usual strong rates this year. CTS acceptance rates were also on par with past years showing just a very small decline.

Hogans asked whether Smith had yet been onboarded. Connors stated that once Smith is approved by the Board, then he will be onboarded.

Poth provided a brief overview of the BaS and CTS scholarships and their separate model assumptions. He then reported details of the new RJI. It is a supplemental scholarship for certain students who are already eligible for the CTS. RJI provides additional funding on top of CTS in an amount up to \$2K in the first quarter, \$1K in the second quarter and \$500 in each successive quarter. Scholars must meet the requirements of CTS as well as the following: 1) be a resident of a rural county (all counties in WA besides King, Pierce, Snohomish, Kitsap, Thurston, Clark, Benton or Spokane) or graduate from a high school in a smaller district (under 2,000); 2) be a resident student eligible for in-state tuition; 3) be enrolled at one of Washington's community or technical colleges also located in a rural county; 4) be enrolled in a certificate, degree or other industry-recognized credential or training program that prepares students for a high-employer-demand field; 5) have a family income which does not exceed 70% of the Washington state median family income adjusted for family size. Depending on future funding, the current plan assumptions include the following: select 50 Scholars in the first year (20 fall, 15 winter, 10 spring); select 85 Scholars each year thereafter (43 fall, 25 winter, 17 spring); the first of five cohorts will be selected to begin their studies in the 2020-21 academic year.

Connors asked Steve Walker, WSOS Awards Administration Director, to speak to the model assumptions for CTS and RJI. Walker stated that the fundamental goal is determining the actual cost to fund Scholars through to the end of the program. The model assumes that students will enroll at slightly less than full-time and would then receive a pro-rated scholarship. Helpful data for creating the model assumptions was garnered from the Tennessee Promise, a similar program in Tennessee, and from the SBCTC regarding how many students exit each quarter for reasons other than completing their program or becoming ineligible. The model is based on a typical enrolled student, and assumptions are made as to how likely they will persist to each successive year. Since CTS is new, estimates have been projected for the retention rate.

Faulhaber asked whether adding RJI would change the fundamental assumptions of cash out the door. Connors stated that it fits well within the CTS model but has been modeled separately as well.

WSIB Quarterly Performance Report

Chris Phillips, WSIB's Director of Institutional Relations and Public Affairs, noted that the legislation refers to the Student Support Pathways account but we reference it as CTS.

Phillips reported on the growth of assets through 6/30/20. The Scholarship Account is \$74.5M, all comprised of private funds, and grew to \$76.4M by 7/31/20. The Endowment Account is \$5.5M and grew comparably to \$5.8M in July. This account is comprised of 90% in private funds/10% in state match funds. Assets for CTS are \$27.6M and grew to \$28M by the end of July with 55% in private funds and 45% in state match funds.

Asset allocations for the investable private funds are well within their investment policy bands. The passive equity strategy is managed by BlackRock and the fixed income is actively managed by the WSIB fixed income investment team.

Phillips reported on the updated market values for state match funds. Both target and current allocations for state match funds are 100% cash, and the cash is invested in a money market fund managed by BlackRock. Market values for all three accounts are as follows: Scholarship Account - \$10; Endowment Account - \$585K; CTS - \$12.6M, largely unchanged from three months ago.

A performance rebound for all three accounts occurred in Q2 based on the rapid response of the federal stimulus and the Fed's move to lower interest rates. Private funds for the BaS and CTS each returned more than 9.5% in Q2. This comes on the heels of Q1 when these funds were down -7.3%. For the 12 months ending June 30, the Scholarship fund returned 5.7%. The Endowment Account's private funds were even more extreme: It posted a return of +17.7% in Q2 -- a complete reversal from a -17.8% return posted in Q1. For the 12 months ending June 30, endowment private funds have returned 0.88% which reflects the impact of the negative first quarter.

In terms of each asset class within the funds, the equity performance is at about 20% for Q2 and, in stark contrast, equity performance is in the 1-2% range for the 1-year period. Fixed income performance is much more stable - in the 7% range for both Q2 and the 1-year period. Overall, equities are fulfilling or exceeding expectations for volatility, and fixed income is fulfilling expectations for stability.

Hogans asked why CTS equity stands at -1.91% since inception while its Q2 performance reached 19.90%. Chris Hanak, from WSIB's Risk Management and Asset Allocation team, stated that the disparity is dominated by the account's poor performance during Q4 2019 and Q1 2020 when market volatility exceeded expectations.

Phillips reported on the bond fund characteristics. Average maturity of holdings is now 5.6 years, up from 5.1 years in Q1. Yield to maturity is 1.77%, down from 2.55%. Average coupon is about 3%, down from 3.23%. Number of holdings is 257, up from 242.

Phillips provided a market conditions summary. The primary theme is drastic volatility which has been stemmed by the federal stimulus. There is much uncertainty on the horizon due to the COVID-19 lifespan and outcomes; racial and social justice issues; the pending presidential election; the systemic reshaping of many sectors within the economy. The WSIB remains optimistic and opportunistic in its investment approach for the long run. At the same time, the WSIB investment team is concerned about the uneven policy environment with so many economic and social variables in play. It's a long way from Wall Street to Main Street in today's environment, and Main Street is where consumers live. As all of the issues play out in the market, the WSIB will remain disciplined, keeping asset allocations tied to objectives.

Connors asked committee members to identify key areas we should be aware of as we look at current conditions and ahead to the next three to five years. Faulhaber commented that upside returns are limited. Hogans added that the longer it takes to do another stimulus, the less likely it will happen before the election. It may be too hard to project anything without knowing the outcome of the election.

Faulhaber asked if the equity from Black Rock is a full one to one index, and whether there are any caps on security holdings or sector holdings. Hanak stated he would follow up on the index question. He has not heard about any issues with the caps. Connors committed to following up with Faulhaber after the meeting.

Phillips expressed gratitude and appreciation to Hogans for the opportunity to work with him on this committee.

Program Update

Connors shared her gratitude to Hogans for chairing this meeting, and thanked Patrick Smith for joining today's meeting.

Connors began the program update with an update on Scholar Services. The CTS selection for AY 2020-21 is complete for C1, and we have now moved forward with the selection of Scholars for C2 fall quarter. The RJI has launched with the first 20 Scholars selected for fall term.

From the state's perspective, Connors noted that the RJI by statute is its own program (the Rural Jobs program) while the other scholarships (CTS, BaS and GRD) fall under the Opportunity Scholarship program. Match restrictions are set for BaS and CTS combined at \$50M annually, while GRD and RJI are each set at \$1M/biennium. WSIB and Washington STEM maintain three accounts: BaS, GRD and CTS. RJI is invested within CTS but is tagged as restricted for RJI spending. Students across various campuses are facing unique COVID-related challenges. Some classes meet in person while other meet online. The Scholar Services team has set up their support program fully online.

Connors followed with providing a fundraising update. This year's OpportunityTalks on November 12 at 8-9 am will be virtual. Special guest star, Trevor Noah, will play "Are you Smarter than an Opportunity Scholar?" with Brad Smith. "Are you game?" is the theme with a "win-win-win" message. A sponsorship video from Boeing will announce their \$100K investment in CTS services as well as their cornerstone partnership for scholarships in CTS. Special speakers include Senator Emily Randall, Chair of the Higher Education & Workforce Committee and Scholar Edgar Santos Aguillar.

In terms of funding updates, Boeing is investing \$100K in CTS, and they are also sponsoring OpportunityTalks again at \$10K. Costco doubled their usual commitment to \$100K, even with Jim Sinegal stepping off the Board. We submitted a grant request to Ballmer in early August for \$500K to launch GRD, hopefully next year. We should hear back by October. Kaiser Permanente sent us an invite to renew their support at the \$112.5K level. Two funders are advancing GRD investment conversations outside of the Ballmer request.

Connors next reported on updates from the legislative session and our priorities. In every challenge, there is opportunity so we are scheduling many interim meetings with legislators. The format includes a 15-minute overview of the program as well as our notable outcomes. Feedback has been very positive. While next session will feature tight resources, there is much interest in supporting programs which prioritize communities of color. Our Scholar programs are viewed by many as maintenance level funding.

Legislative priorities for 2021 include the fix to launch GRD in 2021; two CTS fixes - 2.0 GPA issue and the WA high school graduate issue; the RJI fix - rural county/rural resident excludes Ferry County residents who want to go to Spokane County, for example.

Yoko Shimomura, COO at Washington STEM, requested an update on tribal funding. Connors reported that COVID-19 has paused conversations about county, city and tribal matching as budgets are facing serious constraints.

Hogans requested an update on the annual WSOS legislative report. Connors indicated the report is in process and will be published on December 1. This year's report will expand with the addition of the CTS and RJI programs and with incorporating changes from the Audit Review Committee which recommended the inclusion of aggregate data for Scholars outcomes in partnership with ERDC.

Matt Rubright asked about the feasibility consultant change. Connors stated that Ostara withdrew due to staffing changes and Breakthrough Northwest was chosen in their place. A case statement is being

formalized to select what messages play well right now. A Study Advisory Committee is being assembled of key partners and their findings will be presented at our Board meeting in March 2021.

Patrick Smith expressed his appreciation for receiving the invitation to join the WSOS Board and this committee. Once he is approved by the governor to serve on our board, he looks forward to setting up meetings with Connors and each of the committee members.

The meeting adjourned at 3:16 pm.

Respectfully submitted,
Karyl Gregory

Tab B

Program Administrator Report

FINANCE & PROGRAM ADMINISTRATOR UPDATE

September 30, 2020

WASHINGTON STATE
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SCHOLARSHIP

WSOS Balance Sheet

Comparative Balance Sheets
September 30, 2020

	Comparison to Last Reported Period			Notes	Comparison to Same Period LFY		
	7/31/20	% Change	9/30/20		9/30/19	% Change	9/30/20
Assets							
Cash	2,975,992	-63%	1,110,118	1	1,772,710	-37%	1,110,118
Investments	111,356,343	0%	111,282,060	2	115,582,518	-4%	111,282,060
Accounts Receivable	395	2%	404		16,114	-97%	404
Pledges and Grants Receivable, net	3,505,092	-27%	2,543,608	3	5,019,245	-49%	2,543,608
State match receivable, net	2,906,926	-73%	787,470	4	764,320	3%	787,470
Unbilled State match revenue	-	#DIV/0!	500,000	5	-	#DIV/0!	500,000
Unbilled State match receivable, offset	-	#DIV/0!	(500,000)	5	-	#DIV/0!	(500,000)
Prepaid Expenses	85,990	-23%	66,339		118,812	-44%	66,339
Property and equipment, net	24,692	-8%	22,762		34,341	-34%	22,762
Total Assets	120,855,430	-4%	115,812,761		123,308,060	-6%	115,812,761
Liabilities and Net Assets							
Accounts Payable	83,195	100%	166,038		64,628	157%	166,038
Payroll Related Liabilities	68,727	-2%	67,681		72,433	-7%	67,681
Scholarship Commitments Bacc., net	26,829,963	1%	27,023,364	6	36,991,599	-27%	27,023,364
Scholarship Commitments CTS, net	1,298,512	104%	2,647,539	6	1,357,281	95%	2,647,539
Total Liabilities	28,280,397	6%	29,904,622		38,485,941	-22%	29,904,622
Net Assets							
Temporarily Restricted Net Assets	92,575,033	-7%	85,908,139		84,822,119	1%	85,908,139
Permanently Restricted Net Assets	-	0%	-		-	0%	-
Total Net Assets	92,575,033	-7%	85,908,139		84,822,119	1%	85,908,139
Total Liabilities and Net Assets	120,855,430	-4%	115,812,761		123,308,060	-6%	115,812,761

WSOS Balance Sheet

Notes:

1. Decrease in cash between July and September primarily due to net scholarship disbursements of \$6.48M(\$5.6M BaS & \$891K CTS). These were offset by Brad/Kathy Smith pledge payment of \$1M (RJI), WSAC state match funds of \$2.89M, Costco payment \$100K, and scholarship refunds (\$156K).
2. Investment balance as of 9/30/20 includes WSIB BaS Scholarship \$76.92M, WSIB CTS Scholarship \$27.62M, WSIB Endowment \$5.88M, KeyBank Capital BaS \$809K, and KeyBank Capital CTS \$57K. The KeyBank investment account (public dollars) provides cash needs first in order to fund scholarship demands.
3. Pledges and Grants Receivable, net, decreased primarily due to pledge payment of \$1M by Brad & Kathy Smith. Balance includes Gary Rubens' pledge of \$2.5M, among other Opportunity Talks pledges.
4. State match receivable includes accrual for match of all private dollars received from August to September other than the \$500K that has not been appropriated for, as well as \$62,500 of implementation funds for Q3 of 2020. This includes match of half (\$500K) of the Smith gift of \$1M that has appropriation.
5. Total RJI contributions received in excess of state appropriations. Will record state match revenue in 2021 when appropriations are available.
6. In August BaS (\$4.9M) and CTS (\$2.33M) liabilities were recorded. Increase offset by disbursements.

WSOS Income Statement

Actual vs. Budget

Nine Months Ending September 30, 2020

	Nine Months Ending September 30, 2020			Notes	December 31, 2020
	Actual	Budget	Variance Fav (Unfav)		Annual Budget
Revenue					
Private	1,654,245	1,023,360	630,885	1	1,705,599
Public	3,932,049	3,523,355	408,694	2	4,205,591
Investment Income	4,486,127	274,644	4,211,483	3	366,192
Total Revenue	10,072,421	4,821,359	5,251,062		6,277,382
Program Expense					
Salaries and Benefits	1,430,508	1,630,775	200,267	4	2,493,606
Professional Fees - Program Admin fees	406,450	397,655	(8,795)		530,540
Professional Fees - Contractors & Lobbying	349,308	387,490	38,182	5	617,500
Conferences, Conventions & Meetings	23,601	93,321	69,720	5	206,270
Operating Expenses	208,789	240,442	31,653	5	356,566
	2,418,656	2,749,683	331,027		4,204,482
Income (Loss) before Scholarship Exp	7,653,765	2,071,676	5,582,089		2,072,900
Scholarship Expense	7,559,077	10,001,722	2,442,645	6	10,998,132
Net Income (Loss)	94,688	(7,930,046)	8,024,734		(8,925,232)

WSOS Income Statement

Notes:

1. Revenue Private: The 2020 Budget included \$1M for 4-year scholarship and \$705K for CTS, divided evenly by quarter throughout the year. New revenues between August and September totaled \$251K which included a \$100K from Boeing, \$100K from Costco, \$10K from Oracle, and some generous board gifts. The \$1MM Smith pledge payment was revenue earlier in the year.
2. Revenue Public: State Match revenues accrued based on \$712K of private receipts between August and September. State match of \$500K based on ½ of Smith gift excluded due to lack of current appropriations (future revenue in 2021).
3. Investment income: Actual YTD includes unrealized+realized gains of \$4.43M, interest & dividend income of \$106K and investment expense of \$48K. Budget does not include forecasting gains/losses.
4. Salaries and benefits; Under budget as there was a delay in hiring new positions compared to what was expected in the budget.
5. Professional Fees, Conferences, Conventions & Meetings, and Operating Expenses lower than budget primarily due to Covid-19 quarantine measures. In professional fees, Evaluation Consulting and IT Consulting are \$24K and \$25K under budget, respectively. For conferences, conventions & meetings expenses are under budget across most GLs, notably Meals (\$14K), Mileage (\$11K), Hotels (\$9K), Catering (\$9K), Registration Fees (\$7K), Airfare (\$5K), Other Travel Expenses including Taxis and Car Rentals (\$8K). Within operating expenses the largest differences were in Printing and Collateral (\$15K), Outreach (\$12K), Staff Professional Development (\$10K), and Computer Equipment (\$4K).
6. Scholarship expense for CY 2020 for BaS will be recorded in August with any final adjustments in December. The CTS liability and adjustments are recorded in March, August, and December based on portion of students accepted into the program. The expense in the budget is net of anticipated refunds. Also under budget due to incorrect melt rate used in developing budgeted expense. This is typically around 9%, on average.

WSOS Cash Flow

Cash Flow Summary

Inception-To-Date

September 30, 2020

	Inception - September 30, 2020			
	<u>Scholarship</u>	<u>Endowment</u>	<u>Notes</u>	<u>Total</u>
<u>CASH FLOW</u>				
Cash Inflow:				
Boeing	25,110,000	-		25,110,000
Microsoft	35,000,000	-		35,000,000
Other Private	37,525,369	-	1	37,525,369
State	96,487,323	-	2	96,487,323
Investment Income*	19,873,798	5,884,596	3	25,758,394
Total Cash Inflows	213,996,490	5,884,596		219,881,086
Cash Outflow:				
Scholarships	(87,467,262)	-	4	(87,467,262)
Program Expenses	(20,015,833)	(5,812)		(20,021,645)
Total Cash Outflows	(107,483,095)	(5,812)		(107,488,907)
Net Cash Flow Inception-To-Date	106,513,395	5,878,784		112,392,179
<u>Composition of Net Cash Flow</u>				
KeyBank Checking Account	1,110,118	-	5	1,110,118
Investment Accounts at WSIB and KeyBank	105,403,277	5,878,784	5	111,282,061
Total	106,513,395	5,878,784		112,392,179

WSOS Cash Flow

Notes:

1. Cash Inflow: Other Private - \$1.21M received on cash basis between August and September, primarily \$1M pledge payment from Brad & Kathy Smith and \$100K from Costco.
2. State - Received \$2.89M from WSAC between August and September. This is related for our Q1 and Q2 2020 state match invoices.
3. Investment Income - August to September investment income included unrealized/realized gains in BaS accounts of \$565K, CTS accounts of \$111K, and Endowment account of \$117K.
4. Scholarship disbursements were \$6.48M (\$5.59M Baccalaureate, \$891K CTS) between August and September 2020 and scholarship refunds totaled \$155K (\$122K Baccalaureate, \$33K CTS).
5. Assets are maintained in KeyBank Checking Account to meet short term cash needs, all excess dollars are invested in WSIB or KeyBank investment accounts to generate returns.

**Washington State Opportunity Scholarship (WSOS)
Statement of Cash Flows
2020**

*Note: State Match to WSAC reflected in A/R, net once invoice submitted.

	2020 Jul	2020 Aug	2020 Sep	2020 Oct	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 YTD
OPERATING ACTIVITIES									
Change in net assets	2,216,906	(5,333,942)	(832,951)	(583,881)	(6,642,538)	11,187,212	(3,949,987)	(583,881)	10,806
Adjustments to reconcile change in net assets to net cash used by operating activities-									
Add: Depreciation & Amortization	965	965	965	965	2,894	2,895	2,895	965	9,649
Add: Loss (Subtract: Gain) on disposal of fixed assets	-	-	-	-	-	-	-	-	-
Add: Loss (Subtract: Gain) on realized/unrealized investments	(2,427,446)	(1,721,706)	927,988	653,057	7,282,210	(8,570,624)	(3,221,164)	653,057	(3,856,521)
Add: Accretion of prepaid loan fees	-	-	-	-	-	-	-	-	-
Add: Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-
Changes to balance sheet accounts:									
Accounts receivable, net	7,179	(9)	-	-	2,059	(5,730)	7,170	-	3,499
Prepaid expenses & other assets	(5,681)	1,703	17,948	8,491	(16,648)	14,488	13,970	8,491	20,301
Pledges receivable	(17,057)	890,594	70,889	2,389	(1,070,698)	2,589,261	944,426	2,389	2,465,378
State match receivable	625,835	1,891,768	(272,311)	402,599	(18,033)	(3,302,648)	2,245,292	402,599	(672,790)
Accounts payable	17,714	(16,846)	14,339	(20,997)	(7,075)	7,260	15,207	(20,997)	(5,605)
Scholarship commitments	(13,500)	1,749,752	(207,324)	(215,654)	(4,339,819)	(304,905)	1,528,928	(215,654)	(3,331,450)
Accrued expenses and other	6,091	2,810	81,494	(5,045)	(90,220)	(12,472)	90,395	(5,045)	(17,342)
Net Cash (used) provided by operations	411,006	(2,534,911)	(198,963)	241,924	(4,897,868)	1,604,737	(2,322,868)	241,924	(5,374,075)
INVESTING ACTIVITIES									
Purchases of property & equipment	-	-	-	-	-	-	-	-	-
Proceeds from sale of property & equipment	-	-	-	-	-	-	-	-	-
Proceeds from sale of investments	-	868,000	-	-	4,680,000	201,912	868,000	-	5,749,912
Purchases of investments	-	-	-	(500,000)	-	(201,912)	-	(500,000)	(701,912)
Proceeds from sale of subsidiary	-	-	-	-	-	-	-	-	-
Other investing activities	-	-	-	-	-	-	-	-	-
Net Cash (used) by investing activities	-	868,000	-	(500,000)	4,680,000	-	868,000	(500,000)	5,048,000
FINANCING ACTIVITIES									
Cash contributions and pledges collected for endowment purposes	-	-	-	-	-	-	-	-	-
Funds received from lenders	-	-	-	-	-	-	-	-	-
Payments to lenders	-	-	-	-	-	-	-	-	-
Payments on capital leases	-	-	-	-	-	-	-	-	-
Proceeds from issuance of stock	-	-	-	-	-	-	-	-	-
Capital contribution from owners	-	-	-	-	-	-	-	-	-
Intercompany transactions	-	-	-	-	-	-	-	-	-
Net Cash (used) provided by financing activities	-	-	-	-	-	-	-	-	-
Cash Flow	411,006	(1,666,911)	(198,963)	(258,076)	(217,868)	1,604,737	(1,454,868)	(258,076)	(326,075)
Cash at Beginning of Period	2,564,986	2,975,992	1,309,081	1,110,118	1,178,117	960,249	2,564,986	1,110,118	1,178,117
Cash at End of Period	2,975,992	1,309,081	1,110,118	852,042	960,249	2,564,986	1,110,118	852,042	852,042

Tab C

WSIB Quarterly Performance Report



**Washington State
Investment Board**

**WSOS Investment and Finance Committee
Performance Review 3Q20
December 8, 2020**



**Chris Phillips
Director of Institutional Relations**



WSOS Scholarship/Endowment Funds – Growth of Assets

September 30, 2020



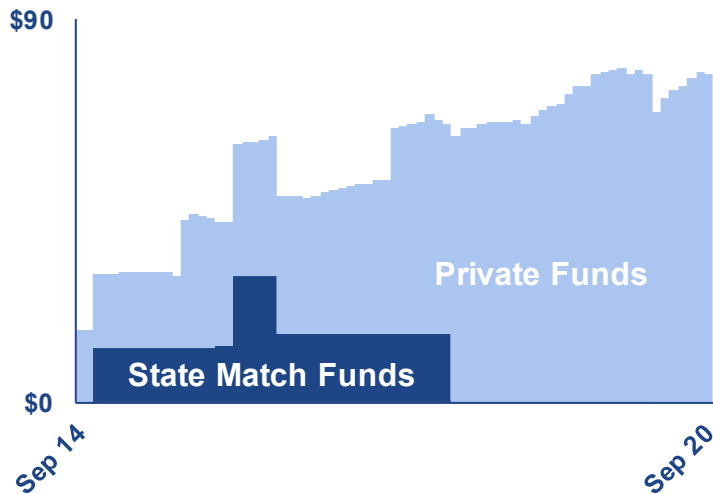
Scholarship Account

- ▣ Total assets: \$76.9 million
- ▣ 100% private funds

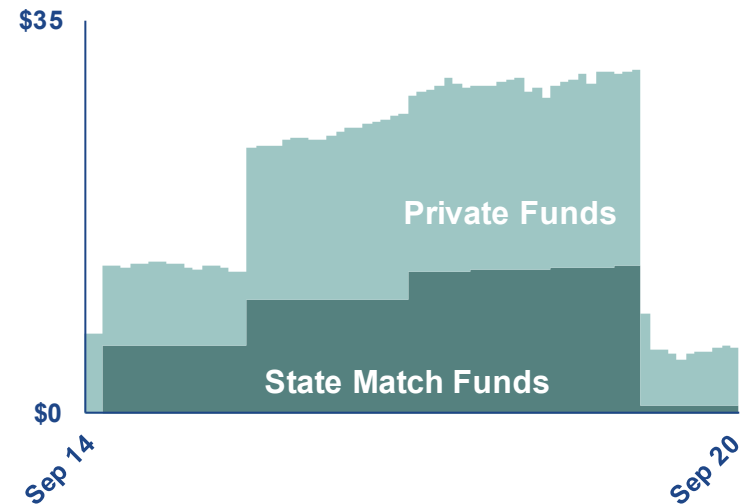
Endowment Account

- ▣ Total assets: \$5.9 million
- ▣ 90% private funds and 10% state match funds

Growth of Scholarship Assets



Growth of Endowment Assets





WSOS Scholarship/Endowment Funds – Growth of Assets

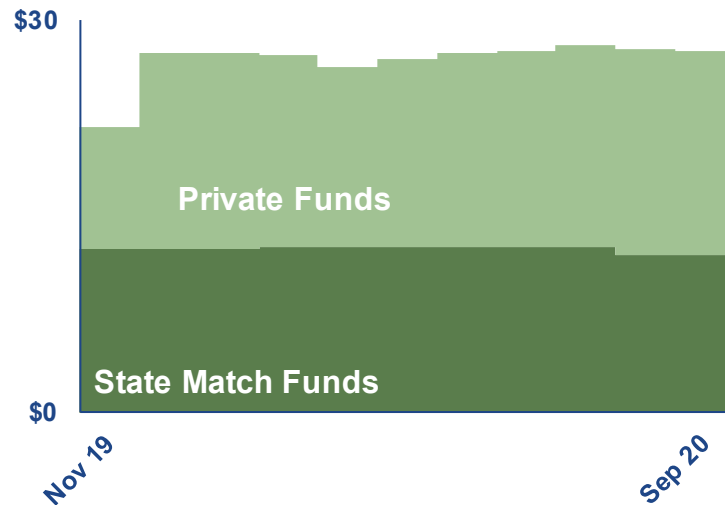
September 30, 2020



Student Support Pathways (CTS) Account

- Total assets: \$27.6 million
- 56% private funds and 44% state match funds

Growth of Student Support Pathways (CTS) Assets





Market Values and Asset Allocation for Private Funds

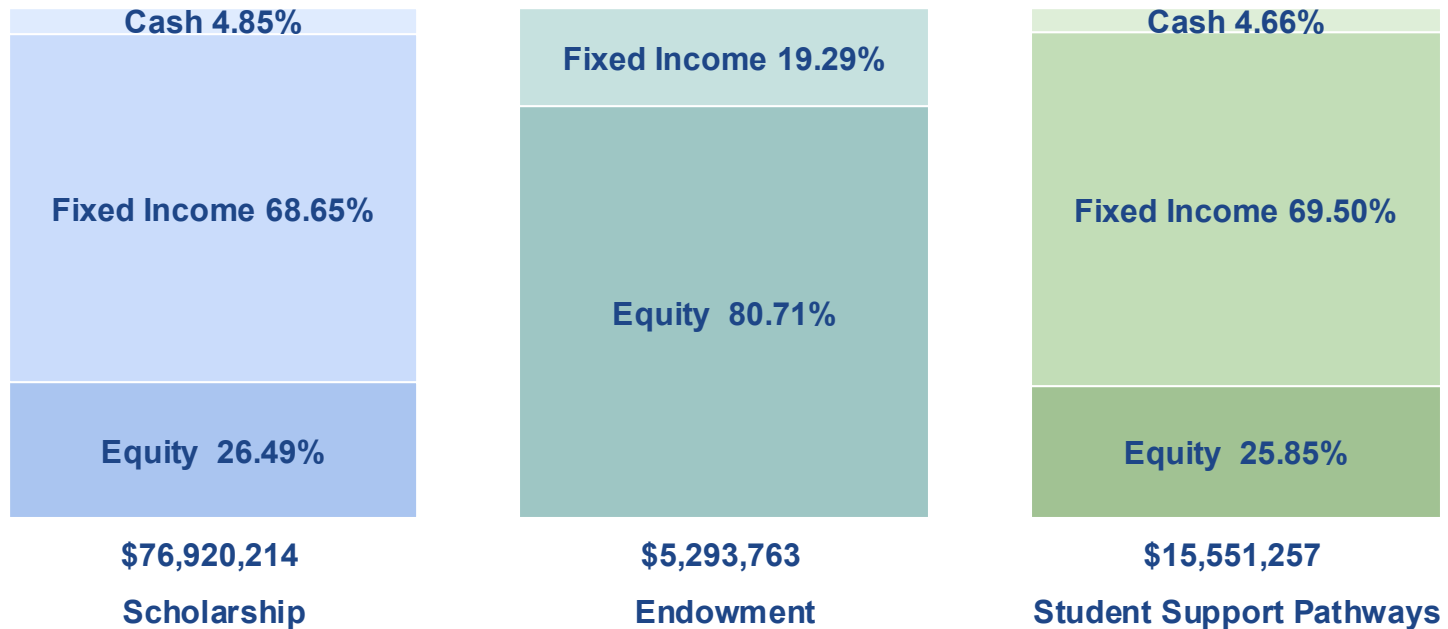
September 30, 2020

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





Market Values for State Funds

September 30, 2020



State Match Funds

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

Market Values

Scholarship	\$10
Endowment	\$585,020
Student Support Pathways	\$12,065,191



Fund Performance Updates

September 30, 2020

	3rd Qtr. 2020	1 Year	3 Year	5 Year	Since Inception
Scholarship					
Private	3.21%	7.69%	5.82%	7.97%	5.93%
Private Benchmark	2.93%	7.43%	5.75%	7.74%	5.94%
State Match	0.00%	0.67%	1.43%	1.02%	0.87%
State Match Benchmark	0.04%	1.11%	1.70%	1.21%	1.04%
Private Funds Benchmark: 25% Equity, 70% Fixed Income, and 5% Cash. State Match Benchmark: 100% Cash					

Endowment					
Private	6.84%	5.63%	5.29%	8.63%	6.31%
Private Benchmark	6.80%	9.52%	6.63%	9.25%	6.87%
State Match	0.01%	0.78%	1.48%	1.05%	0.90%
State Match Benchmark	0.04%	1.11%	1.70%	1.21%	1.04%
Private Funds Benchmark: 80% Equity, 20% Fixed Income. State Match Benchmark: 100% Cash.					

Student Support Pathways					
Private	3.17%	N/A	N/A	N/A	6.54%
Private Benchmark	2.93%	N/A	N/A	N/A	5.48%
State Match	0.01%	N/A	N/A	N/A	0.52%
State Match Benchmark	0.04%	N/A	N/A	N/A	0.80%
Private Funds Benchmark: 25% Equity, 70% Fixed Income, and 5% Cash. State Match Benchmark: 100% Cash.					

Note: All program benchmarks use the MSCI ACWI IMI w/U.S. Gross, Bloomberg Barclays Intermediate Credit, and the 90 Day Tbill



Fund Performance Updates

September 30, 2020

	3rd Qtr. 2020	1 Year	3 Year	5 Year	Since Inception
Equity					
Scholarship	8.16%	9.60%	7.28%	10.60%	7.56%
Endowment	8.16%	10.61%	7.03%	10.46%	7.54%
Student Support Pathways	8.16%	N/A	N/A	N/A	6.09%
MSCI ACWI IMI w/ U.S. Gross	8.18%	9.91%	6.79%	10.32%	
Fixed Income					
Scholarship	1.65%	7.39%	5.41%	5.07%	4.36%
Endowment	1.65%	7.43%	5.42%	5.08%	4.36%
Student Support Pathways	1.65%	N/A	N/A	N/A	7.10%
BB Intermediate Credit	1.24%	6.49%	4.96%	4.33%	



Bond Fund Characteristics & Top 10 Issuers

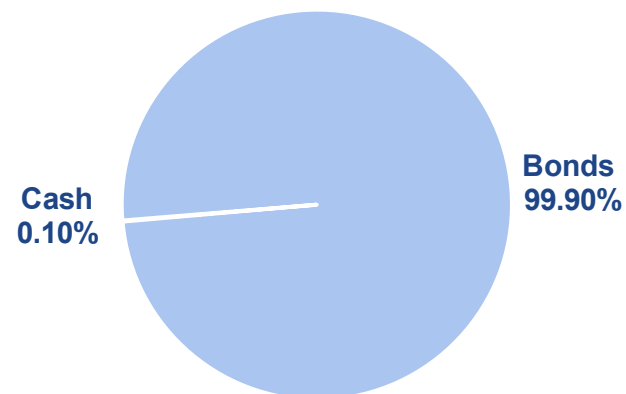
September 30, 2020

Top 10 Issuers

Blackrock Inc.	1.77%
Laboratory Corp. Of America	1.17%
U.S. Bancorp Investments, Inc.	1.12%
Banco Del Estado de Chile	1.10%
Principal Financial Group	1.00%
SP PowerAssets Ltd.	0.95%
BNP Paribas	0.94%
Standard Chartered Bank	0.93%
AbbVie Inc.	0.93%
Macquarie Bank Ltd.	0.92%

Asset Allocation and Market Value

Bond Fund	\$2,378,025,445
-----------	-----------------



Characteristics

	Fund	Index
Average Maturity	5.6 years	5.1 years
Yield to Maturity	1.53%	1.25%
Modified Duration	5.09	4.48
Average Coupon	2.96%	3.24%
Number of Holdings	262	4,678



Capital Markets at a Glance

September 30, 2020

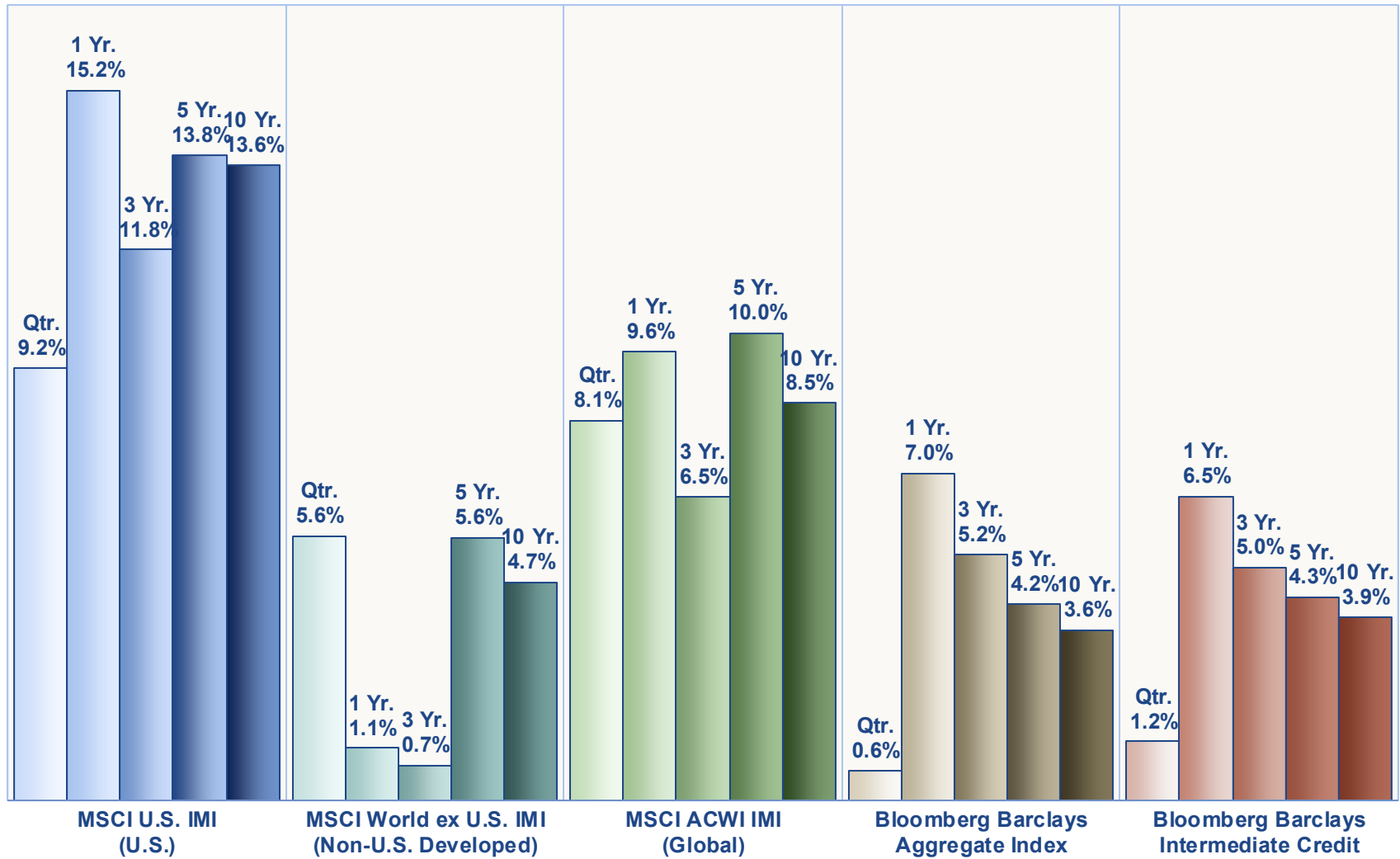


- Despite growing worries surrounding a second wave of COVID-19, global equity markets enjoyed a strong third quarter, albeit with a wide range of returns
- The MSCI World Development IMI index returned 7.9% in the third quarter
 - The U.S. equity market returned 9.1%
- Sector performance varied widely:
 - Energy returned -12.4% and is down about 43% for the calendar year
 - Consumer Discretionary returned 17.6%
 - Information Technology returned 12.3% and for the calendar year, it's up nearly 25%
- Interest rates are expected to remain low for an extended period
 - The Fed announced its willingness to allow inflation to run above target in today's environment
- U.S. 10 year Treasuries were driven by narrowing of credit spreads, so credit-heavier indexes outperformed
 - Bloomberg's Credit index was up 1.5% for the quarter compared to the High Yield index at 4.6%
- Oil prices took a step back in September, dropping 9.6%, breaking a streak of five consecutive monthly gains



Capital Markets at a Glance

September 30, 2020





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 corner. The main content area features a large banner with the text "Delivering investment results for retirement plans & public trusts" and a background image of business silhouettes. 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 & Map, Directions & Map), "POPULAR PICKS" (IRR Report, Quarterly Report, Risk Framework, Policies), "NEED INFO?" (with question marks), and "WSIB STORY" (with an upward arrow).

Address:

2100 Evergreen Park Drive SW

P.O. Box 40916

Olympia, WA 98504-0916

Phone Number:

(360) 956-4600

Tab D

Program Update

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

PROGRAM UPDATE
12.08.2020

MEMBER UPDATE

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

**THANK YOU,
BOB & BEAU!**



WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

WELCOME, WSOS BOARD MEMBERS



LATISHA HILL

Avista Corporation

SVP, Avista Development

VP Community & Economic Vitality

Latisha Hill is Senior Vice President, Avista Development and Vice President Community & Economic Vitality, Avista Corp, an electric and natural gas utility with operations in Washington, Idaho, Oregon, Montana, and Alaska. For more than twenty years, Hill has worked with communities across multiple states focused on revitalization, public safety, policy, and infrastructure. She has in-depth expertise in community and economic development.



PATRICK SMITH

B.T. Loftus Ranches, Inc.

CEO

Patrick Smith is a fourth-generation farmer and the CEO of Loftus Ranches, one of the nation's leading hop producers. Loftus Ranches and its affiliates produce hops, apples, peppers, pears, industrial hemp, and other crops in the Yakima Valley of central Washington State. Patrick's background is in finance, and he has extensive industry and nonprofit board experience.

PROPOSED COMMITTEE MEMBER

JOSEPH WALKER

Providence St. Joseph Health
SVP, CORPORATE TREASURER

Joseph Walker is Senior Vice President, Corporate Treasurer at Providence St. Joseph Health. Walker is an enterprising finance executive with a long track record of success in corporate finance and institutional investment management. He is known for constructing effective teams, efficient portfolios, and concise frameworks for solving complex problems.



REQUESTED COMMITTEE ACTION

- Vote to approve recommend Joseph Walker for the F&I Committee to the WSOS Board.

POLICY UPDATES

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

DISCUSSION

- What should WSOS keep in mind when evaluating Key Bank's benchmark recommendation?
- Are there any concerns or recommendations to improve the policies as proposed?

REQUESTED COMMITTEE ACTION

- Vote to approve update to short-term investment policy and accept undesignated funds policy.

COMMITTEE SELF-EVALUATION

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

COMMITTEE PURPOSE

The Board shall set all broad investment and finance policies consistent with all laws, rules, and regulations and all subsequent amendments thereto. The Board shall appoint the Finance and Investment Committee (hereafter “the Committee”) to carry out these policies and monitor asset allocation and investment performance as well as the selection and evaluation of the portfolio Investment Manager(s).

Specifically, the purpose of the Committee is to assist the Board by:

- (1) providing oversight of WSOS investment strategy and investment guidelines;**
- (2) providing oversight of WSOS financial matters; and**
- (3) performing such related functions as may be assigned to it by the Board.**

COMMITTEE RESPONSIBILITIES

1. Review the investment policies and strategies and provide policy guidance to the Board as directed. Such guidance shall include but not be limited to:

- a) Overall investment strategy and guidelines for the OSA and OSEA investment portfolios;
- b) Evaluation of asset classes for investment;
- c) An assessment of risk in the portfolio and risk mitigation strategies;
- d) Selection of new investment managers;
- e) Termination of existing investment managers; and
- f) Review of the performance of the investment funds and investment managers.

2. Review and make recommendations to the Board regarding financial matters. Such guidance shall include but not be limited to:

- a) Review the proposed annual budget as presented for the upcoming fiscal year;
- b) Recommend the annual budget to the Board for approval; and
- c) Monitor and report to the Board on the Administrator's compliance with the adopted budget during the fiscal year.

F&I COMMITTEE 2020 SELF-EVALUATION

The Committee will annually evaluate its own performance in the fourth quarter with respect to the requirements of the Finance and Investment Committee Charter. This evaluation will be reported back to the Board during one of the quarterly Board meeting updates.

TAKE THE SURVEY

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

DISCUSSION

- Did anything arise when completing your evaluation that you want to share for the group to discuss?
- Is there anything you didn't share in your evaluation you want the committee to know?

PROPOSED 2021 BUDGET

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

PROPOSED 2021 WSOS BUDGET

	2019 Budget	2020 Budget	2021 Proposed	2020 to 2021 Variance
TOTAL REVENUES	24,817	6,277	27,823	21,546
TOTAL SCHOLARSHIP EXPENSE	24,339	10,998	10,704	(294)
TOTAL NON-SCHOLARSHIP EXPENSES	3,404	4,202	4,371	169
SCHOLAR LEAD STIPENDS	360	360	260	(100)
SALARIES, TAXES, BENEFITS	1,895	2,490	2,731	241
PROGRAM ADMIN FEE (WA STEM)	514	530	574	44
ALL OTHER OPERATING COSTS	636	821	806	(15)

WASHINGTON STATE
OPPORTUNITY
 SCHOLARSHIP

KICKOFF OF \$200M CAMPAIGN IN 2021 LEADS TO EXPECTED REVENUE GROWTH.

- 2019 to 2020 revenues down (**\$24.8M to \$6.3M**)
 - Major gift payouts reached end of pledge cycles
 - State match realized when invoice submitted
- Fundraising to ramp up in earnest in 2021 (**\$6.3M to \$27.8M**)
 - First year with 5 FTE development team fully onboarded
- 2021 Budget includes securing two major cornerstones
 - Pledge to be secured in 2021
 - Payments and state match to begin in 2022
- Note new delay in state match revenue receipt due to statutory changes

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

SCHOLARSHIP SPENDING IS RELATIVELY STABLE.

- 2019 to 2020 decrease (**\$24.3M to \$11M**)
 - Last cohort of Rubens Scholars accepted & accrued in 2019
 - Adjustment to scholarship modeling to improve accuracy based on actuals
- 2020 to 2021 stability (**\$11M to \$10.7M**)
 - Cohort sizes are stabilized per scholarship model
 - If major gifts secured in 2021, likely increase in scholarship spending for 2022



WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

NON-SCHOLARSHIP SPENDING WILL GROW BY ~\$169K (4%).

- **Notable variances:**
 - **Scholar Lead stipends (-\$100K)**
 - Stable 2019 to 2020 due to larger cohorts in their second year
 - Decrease 2020 to 2021 due to smaller cohorts in first- and second-year
 - **Salaries + benefits (+\$241K or +9.7%)**
 - Significant increased 2019 to 2020 due to 6 new FTE, 1.6% COLA
 - Increase 2020 to 2021 due to being fully staffed 12 months, holding up to 3% COLA
 - **Administrative fee (+\$44K or +8.3%)**
 - Renegotiated next two years of contract; reasonable increase given growth of program & inflation
 - ~\$20K cyber security insurance now included in fee (realized savings = +4.5% admin fee)
 - **All other operating costs (-\$15K or -1.8%)**
 - Increased 2019 to 2020 due to expanded office space needs and equipment needs for new hires
 - Decreased 2020 to 2021 due to reduced staff travel first half of year
 - Modified approach to include WFE in post-COVID era (rent increase avoided; one-time costs realized)

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

DISCUSSION

- Given the lingering effects of COVID-19, what should WSOS consider as we head into 2021 from a budget or investment perspective?
- Are there any red flags you anticipate the Board seeing as risks or outliers in the 2021 proposed budget?

REQUESTED COMMITTEE ACTION

- Vote to approve WSOS 2021 proposed budget.

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

DISCUSSION

GRADUATE SCHOLARSHIP MODEL

Overview

The Graduate Scholarship funds Scholars pursuing advanced health care degrees in Washington who plan to work in a medically underserved area when they graduate. In the initial years of the scholarship, it will specifically fund residents pursuing a Doctor of Nursing Practice (DNP) or a Master of Nursing Science (MSN). The scholarship has received preliminary, private funding in the amount of \$500,000 to support 33 Scholars over 2 years (pending the state match).

- What should WSOS and WSIB keep in mind about how we approach the scholarship modeling and asset allocation for the graduate scholarship model?



WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP



PATRICK SMITH

CEO, B.T. Loftus Ranches, Inc.

Patrick Smith is a fourth-generation farmer and the CEO of Loftus Ranches, one of the nation's leading hop producers. Loftus Ranches and its affiliates produce hops, apples, peppers, pears, industrial hemp, and other crops in the Yakima Valley of central Washington State. Patrick's background is in finance and he has extensive industry and nonprofit board experience

Patrick started his finance career with UBS Financial Services in Seattle as an associate in the Corporate Cash Management group, serving the cash management needs of public and private companies in the Pacific Northwest region and beyond. He then became co-founder and managing member of Sawtooth Capital, LLC in Seattle. After pursuing some independent consulting opportunities, he joined Merrill Lynch (later Bank of America Merrill Lynch) as an analyst in their Public Finance Group in Seattle. There, Patrick worked with municipal bond issuers in the Pacific Northwest and Western US in structuring their bond issues. Some of the issuers he worked with include the State of Washington, the Port of Seattle, the Port of Tacoma, Sound Transit, the University of Washington, and King County.

In 2009, Patrick left Seattle and the finance industry to return to his hometown of Yakima and rejoin his family's agriculture business. In the 11 years since, he has emerged as one of the hop industry's leading executives and strategists. Patrick co-founded Bale Breaker Brewing Company in 2013 with siblings Meghann Quinn and Kevin Smith, and brother-in-law Kevin Quinn. In addition to the farming entities and brewery, the family is active in the ownership and management of vertically-integrated partners in the hop and apple value chains including Yakima Chief Ranches, Yakima Chief Hops, Hop Breeding Company, Olympic Fruit Company, and Sage Fruit.

Smith is a native of Yakima Valley, and received his bachelor's in Business Administration from the Michael G. Foster School of Business/UW. He went on to earn a master's in Agricultural Economics/Purdue University, a Master of Business Administration at the Kelley School of Business/Indiana University and a master's in Business Analytics at the Leonard N. Stern School of Business/New York University.

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP



JOSEPH WALKER, CFA

SVP, Corporate Treasurer at Providence St. Joseph Health

Joseph Walker is senior vice president, corporate treasurer at Providence St. Joseph Health. Walker is an enterprising finance executive with a long track record of success in corporate finance and institutional investment management. He is known for constructing effective teams, efficient portfolios, and concise frameworks for solving complex problems.

Since joining Providence in 2017, Walker has provided skilled financial modeling, portfolio management and risk management first in the Office of the CFO for two years before shifting to his current position as corporate treasurer.

Walker started his career in 2001 as the portfolio manager at The Retirement Systems of Alabama where he helped serve the interests of the members by preserving the excellent benefits and soundness of the Systems at the least expense to the state of Alabama and all Alabama taxpayers. In 2006, Walker moved to the Seattle area to work in the Treasury group at Microsoft. The Treasury group manages \$158 billion in assets, including cash and investments, account receivable, equity, and other investments.

Walker received his bachelor's in Finance from the University of Alabama. He went on to earn a Master of Business Administration from the Auburn University at Montgomery. He is a CFA charter holder, CFA Institute.

**Washington STEM
Washington State Opportunity Scholarship**

INVESTMENT POLICY

**Short Term Investments Held In
WSOS Operating Checking Account Or Related Investment
Account**

**WSOS Board Adoption: TBC
Washington STEM Board Adoption: TBC**

Effective Date: TBC

Statement of Purpose:

The purpose of this Investment Policy is to set guidelines for the investment of the general cash funds of Washington State Opportunity Scholarship (WSOS) maintained in a checking account or related investment account used for meeting the annual operating needs of WSOS. Washington STEM has been designated as Program Administrator for WSOS and has responsibility for the administration of such policies on behalf of the program. Specifically, this Investment Policy shall:

1. Identify investment goals and objectives
2. Specify investment policy responsibility and authority
3. Establish acceptable investment guidelines

Goals and Objectives:

The primary investment objectives, in priority order, are as follows:

1. Protection of principal
2. Maintenance of adequate liquidity
3. Maximization of return on investment at a prudent level of risk

The goal of this policy is to ensure that investments selected meet the objectives for principal protection, liquidity maintenance, and yield maximization through portfolio returns over time.

Investment Policy Responsibilities:

- A. WSOS Board of Directors – Approves and monitors adherence to the formal investment policies.
- B. Washington STEM Board of Directors – Approves and monitors adherence to the formal investment policies.
- C. WSOS Finance Committee – Formulates and approves investment policy. The WSOS Finance Committee is responsible for managing the investment process in accordance with the guidance provided by the State for State funds and for funds having the character of State funds and in a prudent manner with regard to preserving principal while providing reasonable returns. Responsibilities of the Finance Committee include:
 1. Retain a qualified investment provider to assist in the development and implementation of the investment policy (goals, objectives, and guidelines).
 2. Establish the investment policy of the fund. This includes, but is not limited to, allocation between investment types, selection of acceptable asset classes and investment performance expectations.

3. Regularly review investment performance of the fund including the performance of the investment provider to assure the policy is being followed and progress is being made toward achieving objectives.
4. Communicate to the WSOS Board of Directors the results of the Finance Committee's reviews.

D. Investment Provider – The responsibilities of the investment provider include:

1. Assist the Finance Committee in complying with this investment policy.
2. Propose an investment strategy and coordinate the asset allocation process.
3. Monitor asset allocation among all asset classes and verify on a monthly basis that allocations are within targets defined by this investment policy statement and the Finance Committee.
4. Monitor the investment performance of the fund and prepare quarterly performance advisory reports for the Finance Committee.
5. Report in a timely manner substantive developments that may affect the management of the investment assets.

Investment Authorization:

The following individuals have the authority to approve investment transactions (purchase, sell, exchange) which conform to the parameters of this Investment Policy:

- Washington STEM Chief Financial Officer
- Washington STEM Chief Operating Officer
- Washington STEM Director of Finance
- Washington STEM Controller

The funds management process shall comply with all applicable laws and regulations and shall be reviewed and modified as necessary to comply with such changes in the laws and regulations.

Acceptable Investments, Concentration Limits and Credit Quality:

This Investment Policy is guided by and in compliance with various state policies which govern the investment of State funds, copies of which have been attached below as well as the opinion of the Attorney General which prohibits investments in stocks of private companies.

<http://www.atg.wa.gov/ago-opinions/investment-certain-scholarship-funds-stocks-private-companies>.

This policy allows funds to be invested only in the investment types and within the parameters set forth below.

Permissible investments include the following in accordance with the attached policy of the Washington State Investment Board Policy Number: 2.35.500 dated September 18, 2014 and maintained on Policy Number 2.35.500 dated April 16, 2020:

1. Government agencies and U.S. Treasuries.
2. Short-term investment funds (STIF) that invest strictly in U.S. government or government agency instruments, including repurchase agreements for U.S. government and agency instruments.
3. Cash collateral for security lending and collateral for repurchase agreements is restricted to U.S. government and government agency securities.

Additional permissible investments include Commercial paper and corporate notes in accordance with the attached policy of the Washington State Investment Board Policy Number: 2.05.500 dated September 15, 2016.

Asset Allocation and Liquidity:

Investments will be allocated to permissible investments in accordance with the below attachments to this policy. The asset allocation set forth in the Washington State Investment Board Policy Number 2.35.500 revised 4/16/20 should be maintained until any future revisions are made.

Additionally, the liquidity of the portfolio will be maintained in a manner that meets the cash flow requirements of WSOS per a schedule of projected cash flow to be provided by WSOS on a quarterly basis.







Performance Objective:

Performance of the investment portfolio shall be measured against the benchmark established by Key Bank and approved by WA STEM.

Policy Review:

The Boards of WSOS and Washington STEM shall review this policy at least once every three years to ensure that it remains relevant and appropriate.

Attachments

					
Policy Number 2.35.500 Effective 9.	Policy Number 2.05.500 Effective 9.	Policy Number 2.14.200 Effective 6.	Policy Number 2.35.500 Effective 11.	Policy Number 2.35.500 Effective 11.	Policy Number 2.35.500 Effective 4.

BOARD RESOLUTION:

DIRECTING UNDESIGNATED DONOR GIFTS BETWEEN ACCOUNTS

***Proposed to the Washington State Opportunity Scholarship Board of Directors
June 10, 2020***

Background. Since inception, WSOS has by statute maintained both endowment and scholarship accounts. In 2018, the Legislature expanded the Opportunity Act to increase the types of degree programs WSOS can support through the Opportunity Scholarship program. In addition, the Legislature also created the Rural Jobs program.

As of today, the Opportunity Scholarship program includes the Baccalaureate Scholarship, the Career & Technical Scholarship and the Graduate Scholarship. Each maintain separate accounts. The “scholarship account” supports the baccalaureate degree program, the “pathways scholarship account” supports the career and technical program and the “advanced degrees pathway account” supports the graduate/advanced health care program. There is also an “endowment account” which is currently limited to supporting baccalaureate scholarships only. While the rural jobs program is independent from the Opportunity Scholarship program, all funds contributed to rural jobs are deposited into the pathways scholarship account but are legally earmarked for rural jobs program participants only.

Problem statement. According to the WSOS governing statute, “the board and the program administrator must work to maximize private sector contributions to these accounts to maintain a robust scholarship program while simultaneously building the endowment, and to determine the division between the accounts in the case of undesignated grants and contributions, taking into account the need for a long-term funding mechanism and the short-term needs of families and students in Washington” (RCW 28B.145.030). As the scholarship portfolio of the WSOS program has grown, there has arisen a need for direction from the Board about how undesignated donor gifts should be apportioned between the separate accounts. WSOS staff and the program administrator need delegated authority to direct funds received that are not specifically designated by the donor between each of these accounts and programs.

Proposed resolution. The WSOS Board delegates authority to the WSOS Executive Director to determine the appropriate allocation of undesignated gifts between the WSOS accounts provided that:

- Allocation proportions are in alignment with the scholarship model¹
- Allocation proportions are reviewed at least annually in collaboration with the Finance & Investment Committee

This delegated authority shall only apply to undesignated gifts of \$500,000 or less. Undesignated gifts in excess of \$500,000 shall be temporarily deposited in the scholarship account. The Finance & Investment Committee will then make a recommendation to the WSOS Board but the WSOS Board shall retain the right to make the final decision about where such funds are applied between accounts and programs.

¹ The scholarship model is regularly reviewed by the WSOS Finance & Investment Committee and the Washington State Investment Board to advise on cohort sizes and project future liability.

GIFT ACCEPTANCE AND DESIGNATION POLICY FOR THE WASHINGTON STEM CENTER DBA WASHINGTON STATE OPPORTUNITY SCHOLARSHIP (WSOS)

The Washington STEM Center dba Washington State Opportunity Scholarship (hereafter referred to as “WSOS”) strongly encourages the solicitation and acceptance of private gifts and grants, which enables it to fulfill its mission. The Washington STEM Center (hereafter referred to as “WA STEM”), as fiscal sponsor and 501(c)(3) nonprofit organization, is the legal entity that has the legal right to accept gifts on behalf of WSOS. Gifts designated for WSOS may take a variety of forms. Both WSOS and WA STEM value and will protect their integrity; gifts that expose them to adverse publicity, require expenditures beyond the resources designated for WSOS or involve WA STEM in unexpected responsibilities because of their source or condition, or the purposes are not consistent with the mission will not be accepted. This policy is designed to provide guidance to the WA STEM community and the general public to facilitate the gift-giving process. WA STEM encourages philanthropic creativity; therefore, this policy is to be interpreted liberally so that prospective donors may enjoy the greatest freedom possible in formulating their gifts.

WA STEM is unable to accept gifts too restrictive in purpose. WA STEM cannot accept gifts which involve unlawful discrimination based upon race, gender, age, national origin, color, handicap, or any other bias prohibited by federal, state, and local laws and regulations, and cannot accept gifts which obligate it to violate any law or regulation. Additionally, WA STEM cannot accept gifts that violate the terms of the WSOS program statute. Some are bequests or testamentary gifts that take effect upon the donor’s death. Others are different forms of deferred or split-interest gifts. In keeping with its official gift acceptance policies, WA STEM may accept the following types of contributions on behalf of WSOS:

- **Cash:** WA STEM may accept outright cash gifts in any amount. Gifts made to establish a named scholarship at WSOS must meet the following minimum funding requirements:
 - *Funds received from a private entity (individual, corporation, foundation):*
 - \$22,500 to support two Baccalaureate Scholarship (BaS) recipients
 - \$10,000 to support two Career and Technical Scholarship (CTS) recipients, unless the funder elects to support only recipients of short-term programs, in which case an alternate amount may be determined
 - Privately funded named scholarship recipients are selected from the pool of students who are selected through criteria set by the Board of Directors, as stipulated in statute.
 - *Funds received from a public entity (tribe, county or municipality):*
 - \$7,500 to support one BaS recipient
 - \$4,250 to support one CTS recipient
 - Publicly funded named scholarship recipients are selected from the pool of eligible applicants who meet the program rules as defined by the donor, as stipulated in statute. All funds, both private and associated state match, may

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only be used for participants who meet the donor's program rules and are, in effect, restricted funds.

- Publicly traded securities: WA STEM may accept gifts of publicly traded stocks and bonds at fair market values as determined under Internal Revenue Service rules. Gifts of publicly traded securities will be sold as soon as possible, and the fund the donor established (or the BaS scholarship account if undesignated) will be credited with the proceeds from the sale, after commissions and expenses, if any. Publicly traded securities are given a receiptable value which is the average of the high and low prices of the day they are received by WA STEM; this is the amount that is booked as the receipted gift by WA STEM and provided in a letter to the donor. The sell amount, minus any brokerage or other fees, is also recorded and may be higher or lower than the *receiptable value* as outlined above and is also noted with the gift.
- Tangible Personal Property: Tangible personal property may be accepted as a gift, provided that (1) such property is saleable or useable as is for mission purposes; (2) the property fulfills the mission of the charity; (3) there are no undue restrictions on the use, display, or sale of the property; and (4) the donor agrees that the property can be sold at WA STEM's discretion. WA STEM may need input from responsible parties (i.e. the WSOS Finance & Investment Committee or other qualified professional) in order to sell said personal property. *The donor is responsible for obtaining a qualified appraisal prior to completing the gift.*
- Life Insurance Policies: WA STEM may accept gifts of life insurance policies, provided that WA STEM and the donor reach a prior written agreement about arrangements for the payment of any required premiums.
- Real Property: Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, WA STEM shall require an initial environmental review of the property to ensure that the property has no environmental damage. In the event that the initial inspection reveals a potential problem, WA STEM shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor. When appropriate, the title binder shall be obtained by WA STEM prior to acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor.

Prior to acceptance of the real property, the gift shall be approved by (WA STEM Director of Finance, WSOS Executive Director and WSOS Development Director) and by WA STEM and WSOS's legal counsel. The criteria include: (1) Is the property useful for the purposes of WSOS? (Yes); (2) Is the property marketable? (Yes); (3) Are there any restrictions, reservations, easements, or other limitations associated with the property? (None or reasonable); (4) Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property? (None or reasonable); (5) Does the environmental audit reflect that the property is not damaged? (Yes)

- Closely Held Stock and Partnership Interests: Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited partnerships and limited liability companies, or other ownership forms, can be accepted subject

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to the approval of the gift acceptance committee as defined above. However, gifts must be reviewed prior to acceptance to determine:

- (1) There are no restrictions on the security that would prevent WSOS from ultimately converting those assets to cash; (2) The security is marketable; and (3) The security will not generate any undesirable tax consequences for WA STEM.
- If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The gifts acceptance committee as defined above along with legal counsel from both WA STEM and WSOS shall make the final determination on the acceptance of closely held securities when necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

WA STEM reserves the right to refuse any proposed gift. In conformity with IRS regulations governing nonprofits, gifts to WA STEM may not be directly or indirectly subjected by a donor to any material restriction or condition that would prevent WSOS from freely and effectively employing the transferred assets, or the income derived therefrom, in furtherance of its exempt purposes.

Gifts Designated/Undesignated for Programs of Washington State Opportunity Scholarship

Revenue. WA STEM receives gifts on behalf of WSOS that are designated for a specific program of WSOS as well as gifts that are undesignated for a particular program. Designated gifts that meet the gift policy are accepted and attributed to the program as restricted by the donor in the financial accounts as well as in the accounting software and donor database. Designation of state match funds will follow designation. The current scholarship programs include the following:

- 1) Baccalaureate Scholarship (BaS)
- 2) Career & Technical Scholarship (CTS)
- 3) Rural Jobs Initiative (RJI) – an initiative of CTS
- 4) Graduate Scholarship (GRD)
- 5) Endowment account (statutorily restricted to BaS only)

*No more scholarship programs are expected at the time of drafting of this policy.

Received undesignated gifts are recorded in the accounting software (and donor database) as such upon initial receipt. The policy that follows, upon approval from the WSOS Finance & Investment Committee, will act as the policy for handling these types of gifts:

- Undesignated funds and their associated state match are initially deposited into the BaS account. Once annually in December, the WA STEM finance team will use undesignated gifts to bring into balance the total of all gifts received in the year (undesignated and designated) into alignment with the proportional split included in the current scholarship model. An estimate of gains/losses realized during the year will be included in the calculation of undesignated funds to account for earnings during the year.¹

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- Revenue targets for each program are based on the respective scholarship models already established and maintained by WA STEM in partnership with the WSOS team.
- This policy is to be revisited when the scholarship model is renewed or when a major designated gift is received to keep allocation in proportion of the need of each scholarship.
- Undesignated gifts will be sent to Washington State Achievement Council (WSAC) for state match of private gift along with designated gifts for BaS and CTS (at least quarterly or more often as larger donations are received). Both scholarships are pulled from the same pool of funds at the state level, from the Opportunity Scholarship Match Account.

Expenses. The allocation of undesignated expenses as outlined in the scholarship model is used annually to allocate expenses with no function code.ⁱⁱ This ratio is revisited when the scholarship model is reviewed and will be updated as more actual expense data is available.

- Costs can be split in the accounting software to account for staff time and other costs so that reporting will show expenses by scholarship program by using a “function” code. These are coded as closely as possible to reality. If WSOS staff, when coding expenses, utilize “No Function Code”, then those costs will be split in accordance with the scholarship modeling and this policy. The WA STEM finance team may elect to allocate expenses within +/- 5 percent of the scholarship model’s expense allocation for undesignated gifts if doing so is necessary to maintain a positive balance in both the BaS and CTS accounts.
- Reclassifying journal entries will be needed in order to code “No Function Code” costs to the appropriate scholarship program. This will be done annually in December in alignment with the undesignated revenue process described above.

For more information about WA STEM’s Gift Acceptance Policies and Procedures, contact the Chief Operating Officer or the Director of Finance.

ⁱ As of November 2020, those designated splits were: 1) For first two calendar years (2020 and 2021), undesignated gifts are to be split 50%/50% between BaS and CTS, respectively; 2) for 2022, undesignated gifts will be split 60% (BaS) / 40% (CTS); 3) for 2023-2029, undesignated gifts are to be split 80% (BaS) / 20% (CTS); 4) as of 2030, all fundraising is allocated to CTS as BaS will be sunsetting; and 5) RJJ and GRD are not currently included in the use of undesignated gifts. This will be evaluated in the future. The proportional split is exclusive of installment payments related to a major pledge made in a prior year that are due in 2020 and 2021.

ⁱⁱ The expense ratio included in the scholarship model as of November 2020 of BaS vs. CTS on overall organization is 80% (BaS) / 20% (CTS).

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GRADUATE SCHOLARSHIP MODEL

Overview

The Graduate Scholarship funds Scholars pursuing advanced health care degrees in Washington who plan to work in a medically underserved area when they graduate. In the initial years of the scholarship, it will specifically fund residents pursuing a Doctor of Nursing Practice (DNP) or a Master of Nursing Science (MSN). The scholarship has received preliminary, private funding in the amount of \$500,000 to support 33 Scholars over 2 years (pending the state match).

Award Structure

Scholars will receive academic scholarships and travel stipends under the scholarship model. The academic scholarship includes \$2,500 in their first term of enrollment, then \$4,500 per term (120 hours) enrolled in a practicum. The travel stipend includes up to \$1,000 per practicum term to support commutes to and/or housing for remote practicum placements.

Model Requirements

To determine our annual scholarship liability, we need to know:

- How many Scholars will receive an award in each cohort
- Annual retention rates
- The average level of practicum enrollments each year
- The proportion of Scholars eligible for a travel stipend

Initial Assumptions

The initial scholarship model relies on the most conservative assumptions that result in the maximum liability. Given the small number of participants and the high rate of completion among advanced degree seekers, the initial model assumes 100% completion and full-time enrollment throughout the program. Given the program's focus on supporting Scholars planning to work in medically underserved areas that tend to be far from the nearest campus, the initial model assumes 100% usage of the travel stipends. These assumptions will be revisited annually and will be refined once actual data is available.

Initial Scholarship Liability

Based on these assumptions, our initial liability will be \$30K for each DNP and \$8K for each MSN.

- **DNP's will receive \$30K over 2 years**
 - \$2,500 initially
 - 5 practicum terms of academic scholarships (\$4,500 x 5)
 - 5 practicum terms of travel stipends (\$1,000 x 5)
- **MSN's will receive \$8K over 1 year**
 - \$2,500 initially
 - 1 practicum term of academic scholarships (\$4,500 x 1)
 - 1 practicum term of travel stipends (\$1,000 x 1)

Based on the initial assumptions, the liability over the first two years of the scholarship is \$726K. This includes \$228K for the 2021-22 academic year (6 DNPs and 6 MSNs) and \$498K for the 2022-23 academic year (15 DNPs and 6 MSNs).

EXECUTIVE SESSION

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NEXT BOARD MEETING
04.01.2021