

BOARD MEETING AGENDA
MONDAY, DECEMBER 9, 2024 | 1:00-3:00 P.M. | IN-PERSON OR REMOTE

To join virtually: Click on the Microsoft Teams link in the meeting invitation or dial in #: 323-849-4874 / Phone conference ID: 116 737 143# | *To join in person:* Microsoft Campus, Building 34

Meeting open to the public via conference line above.

I.	Meeting Called to Order		Brad Smith Board Chair	1:00pm
II.	Minutes from September 11, 2024, Meeting » <i>Board Action:</i> Approve minutes	[Tab A]	Brad Smith Board Chair	1:00 - 1:05pm
III.	Mission Moment: Opportunity Scholar Story	[Tab B]	Jessie Hurrelbrink Opportunity Scholar	1:05 - 1:15pm
IV.	Public Comment		Public	1:15 - 1:21pm
V.	ED Corner: ED Search Updates » <i>Board Action:</i> Approve ED search next steps	[Tab C]	Johnathan Luster Interim Executive Director	1:21 - 1:50pm
VI.	Legislative Update: Bill to Enable Promise-style Scholarships through WSOS » <i>Board Action:</i> Establish position on Bill	[Tab D]	Jessica Monger External Affairs Director	1:50 - 2:10pm
VII.	Campaign Update: Our Journey to \$75M	[Tab E]	Camille Reynaud Managing Director of Advancement	2:10 - 2:25pm
VIII.	Awards Update: Baccalaureate Funding Next Steps and Graduate Expansion » <i>Board Action:</i> Approve Graduate expansion	[Tab F]	Lyanne O'Connell Awards Administration Director	2:25 - 2:35pm
IX.	Finance & Program Administrator Update » <i>Board Action:</i> Approve Jan-June 2025 budget » <i>Board Action:</i> Approve Board Resolution for Program Expense Ratio Range » <i>Board Action:</i> Approve new WSOSF Board member, Javana Cross Polenska	[Tab G]	Patrick Smith Finance & Investment Committee Chair Johnathan Luster Interim Executive Director Kimber Connors WSOSF Executive Director	2:35 - 2:50pm
X.	Executive Session RCW 42.30.110(1) to obtain advice from legal counsel		Brad Smith Board Chair	2:50 - 3:00pm
XI.	Closing		Brad Smith Board Chair	3:00pm

Upcoming Board Meeting: February 25, 2025, 1:00pm

Attending in person? Check in at the front desk to get a nametag and give them your license plate number.

Tab A

Minutes from the September 11, 2024, Board Meeting

**WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD MEETING
WEDNESDAY, SEPTEMBER 11, 2024, 1 PM - 3 PM, AT MICROSOFT AND MICROSOFT TEAMS
MEETING MINUTES**

The Washington State Opportunity Scholarship (WSOS) Board of Directors convened on September 11, 2024, in person and via Microsoft Teams. The meeting was publicized as being available to the public on the WSOS website at least 24 hours in advance of the meeting.

Board members present: Brad Smith (Chair), Gary Rubens, Jane Park, Julie Sandler, Miller Adams, Patrick Smith, PV Sivakumar, and Beth Johnson

Additional attendees: Aileen Miller, Gina Breukelman, Jane Broom, Kimber Connors, Dena Parmer, Lyanne O'Connell, Camille Reynaud, Hayley Schaefer, Johnathan Luster, and Stephanie Ryder as well as various other WSOS staff audience members via Teams

Meeting Called to Order

Brad Smith, Chair, called the Board meeting to order at 1:00 p.m.

Approval of Minutes

Julie Sandler moved that the minutes of the June 18 and July 23 Board meetings be approved. Jane Park seconded the motion, and it was carried unanimously.

Mission Moment

Hayley Schaefer, WSOS Associate Programs Director, introduced Stephanie Ryder, who is a recent graduate of Whitworth University. Ryder said she graduated from high school and Olympic College with her AA through Running Start. She said she knew in eighth grade that she wanted to go to college and get a four-year degree, but her family would not be able to help with college expenses. Ryder said she went to Whitworth University and, in 2.5 years, got her BS in chemistry with a concentration in biochemistry. She said she started on the pre-med track but realized that she loved research. Ryder said she fell in love with research when she did a forty-hour-a-week summer research program for two summers, studying the calcium ion binding domain of an enzyme that had been looked at for enzymatic therapy for celiac disease. She said for one of her classes, she had to write a cover letter for a job she wanted to have, and right before this, she had received an email from WSOS about an event with Benaroya Research Institute (BRI) in Seattle. Ryder said they talked about their programs available to undergraduate students and a post-BA program. She said she wrote a cover letter and submitted it for the assignment. Ryder said a year later, she received emails from WSOS about signing up for a mentor. She said that one of the coolest things that has ever happened to her was that her mentor was finishing her PhD at BRI, and she had the opportunity to learn from her. Ryder said that students who do not have family members who have gone to college need financial help from WSOS but also informational support. She said that through her mentor, she learned about cover letters and applications and even toured BRI. Ryder said she graduated in January of 2024, and she has been at BRI now for six months as a research tech. She said WSOS had been woven into her story through financial support, skill building, post-graduate support, and mentorship. She said she is the second person in her family to graduate with a four-year degree, graduated debt-free, and was able to get a job right after graduation. Ryder said for the past two years, she has passed on her knowledge to other students as a Scholar Lead. She said she tells other Scholars that you get out what you put into the scholarship because there is so much more than financial help. She gained information, the opportunity to be mentored and be a mentor, and post-graduate support that led to her job.

Miller Adams asked Ryder to share about her published research. Ryder said it is uncommon for undergraduates to publish their research, and it is especially uncommon for them to be the first author, which means they took on the brunt of the work but are also given the majority of the credit. Ryder said she

graduated at the age of twenty and had her first, first-author publication in the American Chemical Society Journal. She said it is an endorsement that the research she did was sound science.

Brad Smith complimented Ryder on her accomplishments and congratulated her on being a first author. Ryder said she is only the second undergraduate to publish from her college.

Brad Smith thanked Ryder for being a Scholar Lead and asked if she had any advice to improve the WSOS program. Ryder said it is important to keep asking students what they need. She said mentoring and information are so important and asked that the Board keep advocating for this program because it means more than the mentors will ever know. Ryder said she would like to see post-graduation mentorship for Opportunity Scholars.

Public Comment

No one signed up or called in for public comments.

ED Corner

Johnathan Luster, WSOS Interim Executive Director, reviewed the Executive Director search to date. He gave a summary of the next steps from the search committee. Luster asked that he replace Camille Reynaud on the search committee, engage a new search firm, use an interview loop format, and hopefully conclude the interview process before the Q4 Board meeting though he noted more time may be needed. He reviewed the pros and cons of the recommended steps, one con being a \$75k price for the new search firm.

Brad Smith asked the search committee to give their learnings. Jane Park said they reviewed all the different aspects of the process and areas they should change and that the new proposal was strong.

Brad Smith asked if Park believed the \$75k price tag was worth it. Park said she absolutely thinks it is.

Adams said that often the search committee charges a fee based on the salary of the executive we are recruiting and asked how the \$75k fits into the salary. Luster said the proposals he has received are 30% of the higher end of the salary, and a couple are under that market rate. He said he believes it may come in lower than the proposed \$75k which gives us a little room if it goes longer than expected. Brad Smith asked if we owe a fee to the first search firm even if we move to a different firm now. Kimber Connors said we paid for the first search firm even though we did not hire a candidate from that process. Brad Smith asked if we would owe the original search firm any additional money if we moved to a different firm and Connors affirmed, we would not.

Adams asked if people who were part of the first search would score higher had the proposed interview loop approach been used instead. Park said that she does not think that approach would have changed the result with the final two candidates presented to the Board. She said the structured nature and lack of follow-up made the first search difficult but that substantively, the committee still felt confident they put forward the strongest candidates that had been in the pool.

Julie Sandler said the process seemed very lukewarm from beginning to end. She suggested more check-ins with the Board about the candidates we are really impressed with throughout the process so the Board can discuss before we move to the next milestone. Sandler said it would be good to look back at some of the strong candidates from the last round that we did not interview and consider them again. Brad Smith said that with Luster and Connors in place as leaders, he is comfortable if the process goes longer than proposed.

Board Action: Miller Adams made a motion to replace Camille Reynaud with Johnathan Luster on the Executive Director Search Committee and authorize up to \$75k to retain a search firm. Jane Park seconded the motion, and it was carried unanimously.

Luster reviewed the intended impacts and metrics that our staff work toward, along with the WSOS strategic priorities. He noted that the four strategic priorities stay the same. Luster said there have been changes to the

development goals based on what we believe is possible based on staffing. He said we have changed the development goal metric of raising \$75M from December 2025 to December 2026. Luster said we would discuss the impact of this at the December Board meeting. Luster said it is a new academic year, and our targets are very similar to last year. He notes that anything in bold or green has been changed. He said the Awards team reduced the number of Graduate Scholarship (GRD) applicants from 80% to 75% because it was not feasible for this newer scholarship. Luster said we increased the areas where we want to see the Scholars renew and increase on time. He said the programs team increased some of their numbers because they exceeded them this past academic year. Luster said external affairs had an increase of one more earned media piece and are looking to grow the social media audiences more than we have ever before. He said fundraising numbers are reduced from last year based on what we think is possible today. He said a new goal for the advancement team is 100% staff retention by calendar year (CY) 25. Brad Smith said there is no room for error with that goal. Reynaud said she is happy they have hired three new staff since the last Board meeting.

Luster said the impact of the development goal changes will be discussed in depth at the next Board meeting. He said the five-year strategic plan talks about employee tenure. Luster said we aim for 36-month retention but do not believe this is attainable at this time, so we reduced the goal to 28 months. Luster presented a snapshot of where we are at today and said things were good for quarter four. He said the awards team had a goal for 90% of Career & Technical Scholarship (CTS) and Baccalaureate Scholarship (BaS) Scholars to report that they could attend school full time and work less because of our scholarship. Luster said CTS has been trying to hit that goal for years, and we hit that goal last academic year, and BaS hit 97%. He said programs had a goal to close the opportunity gap for race, income, and geography and hit the goal of 60% participation in the different categories for the first time in years. Luster noted that external affairs have been on track to grow the LinkedIn audience and prep for the fall promotional events. He said development has had two successful hires giving us the staff capacity to reach our goals. Luster said we are working to build one culture between the programs and foundation staff because we are working towards the same mission. He thanked Park for hosting our staff summer celebration at her house. Luster said the directors' team reviewed themes from the organizational survey results.

Brad Smith asked about the organization survey's biggest highlights and biggest areas of opportunity. Luster said staff understand what their job is, believe in the mission, and feel seen and heard. He said the opportunity for improvement is around our value of "we is greater than me." Luster said the theme was that staff need help prioritizing cross-team projects that they may not have time for. He said we will try to address this at our fall All Hands meeting.

Luster reviewed key wins of the quarter of officially moving to WSOS Foundation (WSOSF), awarding over \$150M to date, closing almost all the opportunity gap goals, hosting a successful Connell family donor appreciation event, and setting a date and location for Opportunity Talks 2025. He said the challenges are the impact of transitioning from 501 Commons to WSOSF, new strategies to increase Scholar engagement, adjusting our pace for Campaign targets, and scaled learning with the new WSOSF systems. Luster shared where we have been with program administrators (PA) and said that WSOS is the one client of WSOSF. He said as a result, we have shared goals, a cohesive culture, integrated policies and procedures, and right fit tools. Luster reviewed the changes in the PA contract and said we had strengthened areas where there was a risk and bolstered areas of alignment. He said we have a three-year contract with extension options of one to five years but hope to remain in this contract for many years to come. Luster said the program administrator contract stipulates the WSOSF executive director is a visitor to the WSOSP Board meetings, and the WSOSP executive director is an ex-officio member of the WSOSF Board based on recommendations from the Board. He said the contract allows the monthly fee to be adjusted if it was set too high or too low so we can tweak as we learn along the way. Luster noted that the 2024 monthly fee of \$85k to the foundation is higher than the projected \$55k due to Board approval of Connors staying on to support the program interim executive director and WSOSF start-up costs like the incoming balance sheet audit. He said the 2025 annual fee of \$1.34M to WSOSF is about \$60k lower than projected. He said \$600k includes program staff moving to the foundation, and if you take out that \$600k, the fee is \$740k, and we projected \$800k.

WSOSF Updates

Connors shared the WSOSF positions and personnel. She said we have contracted IT services with Executech and HR legal services with OneDigital, along with a temporary senior accountant. Connors said we were originally going to hire an HR manager, but with the advising and legal services from OneDigital, we realized we need an HR generalist who focuses on payroll and benefits administration. Brad Smith asked if the HR generalist is the only dedicated HR professional for the programs and foundation. Connors said her new role is dedicated to leadership and support of the HR function, along with thirty hours of services from OneDigital each month. Smith asked if there is any HR professional on the programs side of the house. He said a generalist focused on payroll is sufficient when times are good, but it is complicated managing people. Smith asked how many staff we have. Connors said we have about thirty total staff. Smith said there will be days when staff are unhappy or there are issues and asked if we are thinking broadly about the full range of HR needs by focusing on payroll and benefits only. Connors said she believes this is the right structure for now with outsourced expertise from OneDigital, but that WSOSF will assess as time goes on. Brad Smith emphasized the importance of having HR contacts that are known and trusted by everybody. Sandler said her organization of thirty has a part-time person in that role who began as a contractor in the office with staff four hours a day two days a week. She said as the needs went up; they increased the hours. She said the in-person position is a powerful thing. Park said she heard Connors say she would fill that role as the WSOSF executive director and although Connors may not have HR formal training, she has the organizational structure and conflict knowledge. Connors said this will come back to Luster to see if he feels he is getting the support needed for staff and would report back.

Gary Rubens asked if we considered doing a percentage of the dollars managed under the scholarship rather than a set fee for the program administrator (PA) contract in case we need to scale if we bring in more or less money so that we do not need a new contract. Connors said we picked a fee based on the services being provided today but if the foundation does not use the full fee, the program would get that money refunded. She said we can also adjust to a higher fee if needed in the future due to the flexibility built into the contract. Connors said all other PAs take the fee and use any extra to support their mission, but because the foundation exists only for WSOS programs, there is no separate mission, and any additional money will funnel back to the program.

Adams asked if the programs and foundation were in the office together. Connors said we have a shared agreement to use the same office. Brad Smith asked if that meant yes. Connors affirmed it is a yes. She said that when questions arise about Foundation staff involvement in program meetings and events, the answer is always yes because we want integration. Connors said that the policies for Foundation staff and program staff are the same.

Connors reviewed the current human resources projects, which are moving separate policies into the staff handbook, moving employee tracking from different sources into a secure HRIS, securing benefits, setting up our 401(k), payroll testing, selecting training providers, and securing HR consulting support. She said the one-time-only tasks include HR onboarding, offer letters signed, benefits forms shared, hiring for an HR generalist, and staff acknowledgment of the handbook and job description, along with I-9 verifications.

Connors said the Finance team has paused the Clark Nuber audit and is focused on building confidence in the opening balance sheet because we have concerns and questions about the finance information coming from 501 Commons. She said 501 Commons is restating all their financial statements that they prepared from September 2022 through the end of our contract, which has a big impact on our opening balance sheet. Connors said we have JP Morgan Chase set up for our brokerage, programs, and foundation accounts. She said we have Sage Intact as the foundation's ERP and will onboard staff to the new systems. Connors said the one-time-only tasks include sending the final invoice to 501 Commons for transition fees, Scholar Lead W9 and ACH document gathering, enrolling colleges in the payment process, and getting a small number of prepaid cards since the corporate cards are delayed because WSOS program does not have financial history until the

audited documents are secured and the foundation has no history. She said we are setting up ACH for direct payments for as many things as possible.

Smith asked how many individuals have corporate cards and the average monthly spending. Connors said the total line of credit is around \$65k, but we never spend close to that. She said the bank has said Connors could be the personal guarantor. Connors said we are also looking at Expensify, which we use for all our expense reporting because they have expressed openness to using our bank balance rather than credit history to validate our line of credit. Connors said we have prepaid cards for our promotion person, who will be on the road a lot, and Dena Parmer, who does most of our operational spending along with a couple of other staff.

Connors said information technology had all staff audit their SharePoint because we have a lot of personally identifiable information about students, and we do not want to store anything that is unnecessary. She said we have more extensive data security requirements, and we are rolling out a VPN. Connors said we are launching cyber training in September because, in the past, the PA has relied on extensive cyber security insurance rather than having a strong cyber policy.

Brad Smith asked if we had a cyber intrusion, and what the worst that would happen would be. He asked how much and the nature of the information we possess about Scholars. Connors said we did a deep look at this a couple of years ago and reviewed how much we must keep and when we can purge data. She said at that point we had 38,000 student records because we stored information for every student who had applied for a scholarship. Connors said we purged the information we can, but it is complicated by state reporting requirements. Brad Smith asked if we have social security numbers for all students. Connors said if we still need to verify things through the Washington Student Achievement Council (WSAC) we store the information in the database. She said once students have been verified, we eliminate data that is no longer needed if we can. Brad Smith asked if the student database is the most sensitive piece of data we have in terms of personal information and how well-protected that database is. He said cyber training is great, but have we had anyone audit our systems and give us advice. Connors said we have not, but we could around the student database itself. She said vendors say they have protocols in place but in the fine print we assume all the liabilities if they have some sort of breach. Brad Smith asked if the student database resides solely in the possession of a vendor. Connors said it is a cloud-based tool, not stored on a WSOS server.

Brad Smith asked who has access to the data set. Connors said employees at the foundation and program with need-to-know business needs, along with the vendor have access. Brad Smith asked what vendor we are using. Connors said it is Caspio. Brad Smith said it feels like we should do more on the preventative side. Brad Smith said Microsoft might be able to help with a free audit or cyber security analysis. Brad Smith said one of the concerns, due to the increase in trends of ransomware attacks, is the reputational impact of an intrusion. Connors said according to our insurance provider non-profits are particularly targeted through phishing scams. This is one of the major considerations for WSOSF in selecting cybersecurity training for staff.

Brad Smith asked what kind of Multi-Factor Authentication (MFA) we use today for everyone. Connors said the current handbook now requires employees to use MFA anytime it is offered, and MFA is required for specific tools like Microsoft 365 accounts. Connors referred to Lisa Magennis regarding Caspio systems, the system where the student data is housed. Magennis stated that the MFA is in place with Caspio. Also, she affirmed that only individuals with business needs have access to the backend of Caspio to ensure that they minimize the number of people who access super-sensitive information. She stated most staff users can't see the personally identifiable information due to their permission settings.

Connors moved on to the current operations projects. She said the 990 extensions have been submitted, and the auditor was identified for clean opening balance sheet from Commons. Connors stated they registered as a business, met all the insurance requirements outlined in the PA contract, and contracts with all our vendors have been moved over from 501 Commons to WSOSF.

At 2:00 p.m., the Board Chair, Brad Smith, had to leave the meeting and delegated Park as the chair for the remainder of the Board meeting.

Washington College Grant | WSOS Alignment

Luster introduced Lyanne O'Connell to talk about the Washington College Grant (WCG) program and WSOS alignment. O'Connell said in 2022, WSOS aligned statutorily to the WCG program. This past spring, Senate Bill 5904 amended WCG, extending funding support from five to six years to align with the Federal Pell Grant. O'Connell said with the shift, WSOS' responsibility is to align with this change.

O'Connell shared the current funding structure. She said in 2014, the Board approved this funding structure which allowed students to receive \$2,500 in each of their first two years, \$5,000 in their third year once admitted to their major, and \$7,500 for their fourth year. If a fifth year is needed, Scholars can qualify for another \$5,000, which would result in a maximum total award of \$22,500.

O'Connell stated that in the last ten years, WSOS has learned that most of our Scholars received 40% or less of the maximum total award available. O'Connell stated this is generally because they change programs or schools or enroll in ineligible programs. To meet the new statutory requirement of funding students for six years, O'Connell recommended a flattened BaS funding structure that preserves a total maximum award of \$22,500. O'Connell outlined the pros and cons. She said the main pro is that it is compliant to the new statutory changes to support Scholars up to six years, allows flexibility for Scholars to take extra summer term to get into their major, and there is little impact on the total award with the same current funding dollar amount. Park asked what number or percentage of students need summer term funding. O'Connell stated 400 Scholars used summer funding this year which was an increase over previous years. O'Connell said another advantage is more predictable and consistent funding for Scholars and financial aid offices. O'Connell said the con of this structure is that there is less funding in the fourth and fifth year. She stated in general, most students in their senior year have the least amount of funding from financial aid or have maxed out of other types of financial aid and so this drop in WSOS funds in those years could be problematic.

O'Connell asked for the Board's feedback and what additional information would be needed for a vote. Park asked if the \$22,500 was spread over five years. Park also asked what proportion of Scholars graduate in four years. O'Connell said that our Scholars are twice as likely to graduate in four years compared to the new average trend, so fewer of our Scholars would benefit from the six-year requirement than the average. Adams asked if we are trying to impact the behavior of the Scholars through the award structure. O'Connell said the goal is to encourage them to get into their major by increasing the award level once they are accepted. PV Sivakumar asked how many fourth or fifth-year Scholars withdraw or don't complete because they run out of funding. O'Connell said WSOS does not see students' full financial aid packages, so we cannot review what the gap would be. She said in the past ten years only 27% of Scholars have used the \$7,500 level which represents the fourth year in the current model.

Gina Breukelman asked if there was an option to incentivize on-time completion or earlier completion. Park agreed and recommended that WSOS consider an option to keep the \$7,500 level and cut the sixth year. Park asked if the \$22,500 was stuck as a maximum. Park suggested O'Connell put together a proposal that would showcase the model that we believe will best maximize the number of graduates for the most cost-effective approach. Rubens likewise encouraged O'Connell to focus on the overall goal of maximizing the graduation rate. Jane Broom said higher education costs and the inflations have gone up since the setting up of this model so asked if \$22,500 in maximum funding was still the right amount. O'Connell said she will continue to work with the Finance team to review the scholarship model with a focus on maximizing graduates. O'Connell said they will take the Board's suggestions, reevaluate options, and come to the next meeting with some different potential structures and of course, the development implementation plan for Board vote. She said whatever is decided on will impact the past cohorts as well as those who have already been receiving the old model and rule structure.

Academic Year 2024-25 Programs

Hayley Schaefer presented on the WSOS programming in the past academic year. Schaefer highlighted a Scholar story of David Yun, a recent alum from Pacific Lutheran University where he got his degree in biochemistry. She stated David was a Scholar lead while he was in school, where he supported Scholars and then he also participated in our Skills that Shine program. Schaefer said his mentor worked at Bristol-Myers Squibb (BMS), one of our great partners, who was able to support David once he graduated in successfully got a job at BMS as a manufacturing associate. She said David is now serving as a Skills that Shine mentor, and he recently participated in a recruitment event that WSOS and BMS did together to recruit mentors for our program. Schaefer said David's story highlights the intentions of the program.

Schaefer said in summary of last academic year, there was lower engagement, however, programs met or exceeded impact goals. She detailed the data to demonstrate this conclusion with the specifics as outlined in the Board pre-read. Schaefer stated the BaS program exceeded the targets for engaging historically underrepresented students. She said the CTS program targets were not met but the data does not include the job board metrics. Schaefer stated we were limited in our ability to tie the individual views to Scholar records and if that data had been included, we would have met or exceeded those targets.

Schaefer summarized some of our learnings that there was lower engagement in our BaS and CTS programming. She said for this current academic year, engagement targets were adjusted to be realistic, and improvements like granting more autonomy in supporting their caseloads for Scholar Lead. She said another learning was that Scholars showed a decreased responsiveness to virtual events, particularly post-COVID. She stated as a response, the program has expanded career development offerings to include diverse engagement methods beyond just events. Schaefer said GRD Scholars, clinic and travel stipends, along with a presentation by the Washington State Department of Health, constituted 70% of the services accessed by GRD Scholars, indicating these will remain focal points moving forward.

Schaefer said the current academic year includes tweaks to the Scholar Lead programs for BaS & CTS, which include increased amounts of advisor touch points to provide better support, address issues sooner, and increase Scholar Lead autonomy. She said that CTS will be shifting the duration of the program to a quarter. Schaefer said for Skills that Shine, the BaS program, is continuing its usual operations while accommodating a larger number of eligible third-year Scholars. She said significant changes would be made to the CTS program based on Scholar feedback, including a pilot ad hoc mentorship model with one-off Q&A sessions with industry professionals. Additionally, the team plans to launch a BaS jobs board due to the success of the CTS version. Schaefer said for new career development, partnerships with external organizations like Vitaes, a video repository highlighting BIPOC professionals in a variety of industries, and SocialTalent which provides online learning courses, will enhance professional development resources for Scholars. She said for CTS, we are piloting an industry-specific newsletter to provide tailored resources and advice unique to those industries. Schaefer stated for the Industry Insider program, we will continue to focus on partnerships with great companies in the community that create internship opportunities and site tours for Scholars.

Park asked if there was another program or benchmark to compare our engagement and look at peer programs. Schaefer stated it is worth looking at higher education engagement and comparing rates of engagement with colleges. She said during COVID, we saw high levels of engagement because there were not a lot of campus options and Scholar feedback recently indicates that they may not participate in current programming because they have access to similar support through other on-campus resources. Sivakumar asked if we provide support in resume writing, LinkedIn, and career search support. Schaefer stated CTS recipients have the option to submit their resume for review by a WSOS staff member, but only a small percentage of Scholars utilize this resource. She said for Scholars who participate in Skills that Shine for BaS or CTS, there is a module where we encourage them to work on their resume, their cover letter with their mentor, and we have a spot on the Scholars portal where they can submit it.

Finance & Program Administration Update

Patrick Smith said the Finance & Investment Committee (F&I) met on Thursday, September 5. The Washington State Investment Board (WSIB) gave their update, the BaS and CTS funds returned about 1.3% for Q2 and 9.5% and 9.8% respectively for the 12 months that ended June 30. The endowment returned 2.2% for the quarter and 16.3% for the 12 months. Patrick Smith said as of end of June 30, we remain in compliance with our investment policy statement and our asset allocations, tracking in line with the benchmark on the equity and have been slightly outperforming our benchmark in fixed income. Smith invited questions on the investment side and no questions were raised.

Patrick Smith moved on to financial reporting and stated that 501 Commons is restating all our financials going back to September of 2022. Since the financial statements were not accurately represented, the F&I Committee decided to pause discussions, which was disappointing for everyone involved. Patrick Smith said 501 Commons committed to providing the restated financials by September 23. Patrick Smith stated the F&I Committee would convene a special meeting to discuss and review the results.

Sandler asked if we expect to be better off or worse off than we thought we were when we see the restated financials. Patrick Smith referred to Connors. She stated that she did not know, based on the little visibility we had, the reasons for the restatements. She said the impression she had from Eileen Moran, 501 Commons Finance Director, was that there would be both material and immaterial differences, but we did not get a clear sense of the directionality of those changes. She said the explanation that was given was that their transition from QuickBooks to MIP as their financial information system was driving much of the problem. She said there was a period where they were doing some manual work, an issue occurred, and then it carried forward to every future financial statement that needs to be corrected. Connors said the Committee asked the 501 Commons team to show initial statements compared to the amended statements to identify those material changes. Adams stated that there is a lot we do not know, and the best course of action is to wait for all the information.

Patrick Smith said that the good news is that we have a new program administrator, and we are optimistic about the trajectory of work. Patrick Smith said there are two requests for Board actions, to reappoint committee members Joseph Walker and Patrick Smith, and to appoint new member Kendra Mathias. He said Mathias was recommended to us by another committee member, Jess Peet. Mathias is in Alexa & AGI Finance at Amazon as senior finance manager. Smith said he has met Mathias and thinks she would be a terrific addition.

Board Action: Park made a motion to reappoint Joseph Walker and Patrick Smith and appoint Kendra Mathias to the Finance & Investment Committee. Adams seconded the motion, and it was carried unanimously.

Luster and Connors highlighted a couple of acknowledgments. Luster acknowledged Connors 7-year anniversary with WSOS. Connors acknowledged Gary Rubens' last Board meeting and thanked him for his dedication. Connors acknowledged Dena Parmer, who is leaving the organization. Connors thanked Dena for her support for the Board and staff at WSOS.

Executive Session: At 2:50 p.m., Park, the delegated Board Chair, announced that the Board was going into Executive Session until 3:00 p.m. to obtain advice from legal counsel. The open meeting was reconvened at 3:00 p.m., and Park announced an extension to the Executive Session to 3:10 p.m. The open meeting was reconvened at 3:10 p.m., and Park announced an extension to the Executive Session to 3:20 p.m. The open meeting was reconvened at 3:20 p.m., and Park announced an extension to the Executive Session to 3:35 p.m. The open meeting was reconvened at 3:37 p.m. with no formal action taken.

Board Action: Adams made a motion to delegate authority to Patrick Smith to meet with the Board of 501 Commons to address unresolved issues. The motion was rephased.

Board Action: Park made a motion to delegate authority to Brad Smith and Patrick Smith to take whatever steps they deem necessary to resolve the issues with 501 Commons. Gary Rubens seconded the motion, and it was carried unanimously.

The Board meeting adjourned at 3:40pm.

Respectfully submitted,

Grace Park

DRAFT

Tab B

Mission Moment: Opportunity Scholar Story

MISSION MOMENT

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

MISSION MOMENT: Scholar Spotlight



Jessie Hurrelbrink
Dental Hygiene
Bellingham Technical College

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP₂

SCHOLAR SPOTLIGHT



JESSIE HURRELBRINK

Dental Hygiene

Bellingham Technical College

ABOUT JESSIE

Driven by a passion for serving her community and a love for animals, Jessie began working as a veterinary assistant for both large and small animals in high school. She dedicated several years to the field but, after becoming a mother at 19, sought a more stable career to support her family. At 23, she transitioned to dental assisting, gaining valuable experience in pediatric care and general oral surgery, though she aspired to achieve more. A year later she enrolled at Bellingham Technical College, drawn by its strong programs and familiar setting; however, after a year of prerequisites, health issues forced her to pause her education for another six years. With the support of skilled medical professionals and a loving family, Jessie gradually recovered and resumed her path. For the past two years, Jessie has balanced full-time work as a dental assistant with her studies, showcasing her dedication to personal and professional growth. More recently, she has participated in our programming as a Scholar Lead and Scholar Champion, connecting with Scholars on behalf of WSOS. As a recently promoted Office Manager, she is in the final weeks of completing her pre-requisites for dental hygiene at Bellingham Technical College where she plans to apply for the dental hygiene program in January 2025.

IN HER OWN WORDS

"With the help of WSOS scholarships these last several quarters, I have been able to stay above water at home with bills and responsibilities, whereas without it, there might have been a much different story play out. Thank you for the opportunities you provide for people like me, working parents with little-to-no time for anything else. You have made this journey that much easier on me and my family for providing the scholarship that you have, to all of us that qualify. So very much appreciated! I look forward to seeing what my future brings me."

Tab C

Program Update

PROGRAM UPDATE | DECEMBER 2024

INTRODUCTION

Since the September 2024 Washington State Opportunity Scholarship (WSOS) Board meeting, the WSOS team celebrated nearly 1,100 winter/spring Career & Technical Scholarship (CTS) applications, far exceeding our goal. We also welcomed over 165 Scholar Leads who will support more than 2,200 Scholars across the state and secured our first corporate sponsor for OpportunityTalks. Other key milestones include kicking off the Executive Director search, staying closely connected to a promise-style bill that would expand our program, and the WSOS Foundation standing up processes and resources.

AWARDS ADMINISTRATION UPDATE BACCALAUREATE SCHOLARSHIP

The Awards team is preparing to launch the 14th annual Baccalaureate Scholarship (BaS) application, which will open from January 8 through February 26. In the past, the team would engage the Board in reviewing and aligning on BaS eligible program and selection principles. Since the Board approved an evergreen eligible programs and selection model in 2022, the Awards team will continue to select BaS Scholars who meet the following criteria:

- Heading into high-demand careers across Washington state
- Likely to graduate with a degree in STEM or health care
- More likely to complete their degree or program if they receive a scholarship

The applicants can choose from over 150 programs that meet the following criteria:

- Occupation must be considered STEM or health care
- Occupation must be a high-demand field in Washington State
- Occupation must earn a living wage
- Occupation must need a bachelor's degree for entry
- The major that leads to that occupation must be offered as a bachelor's degree from at least one Washington institution

Based on these criteria, four new programs were added to the list from the previous cycle. To review the entire list, please see [BaS eligible majors](#).

CAREER & TECHNICAL SCHOLARSHIP

The Career & Technical Scholarship (CTS) Cohort 6 winter/spring application closed in October with nearly 1,100 completed applications, far exceeding our goal of 800. This is the team's first year in a combined winter and spring application cycle. Based on the many submitted applications, we will continue offering a combined cycle. A summary of the winter/spring CTS and Rural Jobs Initiative (RJI) recipients is available in Tab C.

We have hosted a series of optional information sessions for BaS and CTS Scholars to deepen their understanding of WSOS policies, including the requirements to maintain their scholarship. This is a new strategy to help more Scholars stay in eligible majors and earn in-demand credentials. So far, nearly 300 Scholars have attended, and their feedback has been overwhelmingly positive.

GRADUATE SCHOLARSHIP

The Graduate Scholarship (GRD) program selected Cohort 4 this past spring. After selecting 20 new Scholars, one college notified us that a Scholar did not meet the residency criteria determined by the FAFSA data and verified by their financial aid office. We were able to inform the Scholar about their ineligibility before funds were disbursed, and we selected a new Scholar to join this cohort. For an updated summary of GRD cohort 4, see Tab C. To avoid this issue in the future, we will work closely with

financial aid offices to determine residency as part of the eligibility process. This will help guarantee that selected Scholars meet the criteria before being selected.

We look forward to discussing GRD expansion during the Board meeting. To continue meeting health care shortages in Washington state and respond to funders who are interested in supporting WSOS, we intend to propose that the Board considers updating our eligible programs to include Master of Social Work and certified nursing midwife, which is a track of the already eligible Doctor of Nursing Practice.

WASHINGTON COLLEGE GRANT – WSOS ALIGNMENT UPDATE

At the September Board meeting, we provided an update on the legislative changes impacting the BaS program. This includes the passage of Senate Bill 5904, providing students with up to six years (previously five years) of Washington College Grant (WCG) funding to align with the Federal Pell Grant program. Additionally, students need help understanding award levels due to an incremental BaS funding structure and the ability to use funds during the summer term. These challenges have created an opportunity to evaluate the BaS funding structure that has been in place for the past ten years.

Based on questions from the Board during the last meeting regarding BaS funding, we have learned:

- The **cost of college has increased by about 32% in the past 10 years** for students living on/off campuses in Washington State. The **most significant impact** of the increase was the **cost of living and food expenses**.
- The average **unmet need** for students is \$6,500 per year.
- **66% of Scholars** who graduated with an eligible major **accessed higher levels of funding**.

We intend to continue this conversation briefly during the Board meeting and return in early 2025 with a BaS funding proposal. Due to delays and inaccuracies in financial materials we have received from 501 Commons, the WSOSF Finance team needs more time to gain confidence in WSOS finances and update the scholarship model. These steps must occur before we can determine potential BaS funding structures to present.

Scholarship Highlights

	BaS	CTS/RJI	GRD	Total
Total Actual Disbursed (2012 – Present)	\$133,467,125	\$19,818,410	\$1,100,525	\$154,386,060
Scholars Enrolled 2024-25	3,525	1,481	39	5,045

SCHOLAR PROGRAMS UPDATE

At the September Board meeting, the Board asked how Scholar engagement in WSOS programs compares to student engagement broadly. We learned that our engagement rates are stronger than most rates in comparable programs. For instance, 50% of UW students, 37% of WSU students, and 4% of Tacoma Community College students participate in first-year peer support programs. Last academic year, our engagement in the Scholar Lead program was 73% (BaS) and 37% (CTS).

BACCALAUREATE SUPPORT SERVICES

Scholar Leads are off to a strong start: 135 Leads are supporting over 1,900 first- and second-year Scholars across the state. Leads have hosted introductory welcome calls and begun to share campus-specific resources. One Scholar shared, *“My scholar lead is very friendly and informative. She always responds promptly and directly to any of my questions. She also makes sure to be available and lets scholars know about events. She also makes a lot of effort to get to know scholars and make them feel seen.”*

So far, Scholar Leads have reported that 63% of their Scholars have engaged with them and the resources they provide. We appear to be on track toward our mid-year goal of at least 70% of Scholars engaging with their Lead by December 31. We monitor this closely, as Scholars engaging with their Leads can be a leading indicator of persistence. For Scholars who aren't yet engaged, we are conducting individual outreach to emphasize the importance of utilizing this proven WSOS support.

Skills that Shine (StS) has begun with 333 mentor-mentee pairings, under our goal of 460 matched pairs. In the coming months, we will conduct focus groups with Scholars who chose not to participate to identify any barriers to entry. This will inform our strategy and planning for future cycles. Thank you to the Board for helping us recruit mentors from your networks!

We have hosted two in-person Industry Insider tours with our partners at Amazon and Bristol Myers Squibb and one virtual internship information session with Seattle Children's Hospital. We have additional in-person and virtual opportunities scheduled throughout the winter and spring. Our BaS job board has also launched, joining the CTS job board created last year. Over 140 Scholars from both scholarships have viewed the curated postings.

CAREER AND TECHNICAL SUPPORT SERVICES

Like BaS, CTS Scholar Leads have been welcoming and helping their Scholars. Over 30 Leads are supporting 311 Scholars. Unlike BaS, the CTS Scholar Lead program is opt-in: 56% of incoming Scholars have signed up for this program, just shy of our goal of 60%. So far, 33% of the Scholars who have opted in have engaged with their Lead, above the mid-year goal of 30%.

To build stronger relationships with Scholar Leads and reduce Lead attrition, the CTS Advisor is hosting more 1:1 meetings this academic year. Feedback has been extremely positive thus far, with Leads stating that our program expectations are clear and they know where to go for support if needed. These deeper relationships have also reminded us of the incredible academic work that Leads are doing. One Lead said, *"my program has been life changing and I now want to start a home care service after seeing how things work in the medical administration field."*

We have opened mentor recruitment for StS. For this academic year, we have iterated StS to align closer with flash mentorship, an idea that emerged from a WSOS hot topic dinner last year. Scholars will have 30-minute drop-in opportunities to ask a professional about their field or career. Our goal is to recruit 20 mentors who will then be able to support 50 Scholars early next year. Volunteers can sign up on our [website](#); please feel free to share this opportunity with your network.

**ADVANCEMENT UPDATE
 REVENUE TARGETS**

As of November 18, 2024, we have raised \$51,303,206 of our \$75M campaign goal. We aim to secure \$60M to be ready for public launch by the end of 2025. For calendar year 2024, we've secured \$2,110,349. As discussed in the June board meeting, we revised our team goals to focus on recruiting, hiring, and onboarding key roles to build a sustainable fundraising team. We are projected to end the year with \$3M raised, which is behind our revised target of \$4M.

DONOR RETENTION AND ACQUISITION

In addition to raising revenue, the campaign's goal is to ensure stronger donor retention and broaden our scope of supporters. Key metrics we're tracking on these measures are below:

	YTD (as of 11/20/2024)	2024 CY Goal*
Donor retention 2023 to 2024	32.5%	42%

Donor loyalty	48	50
\$25k to \$1M gifts secured CY 2025	9	25

CAMPAIGN MILESTONES

The theme for OpportunityTalks, scheduled for April 1, 2025, at the Meydenbauer Center Bellevue, is **Building Tomorrow: 10,000 Opportunity Scholars Transforming Washington**. With Costco’s \$100K commitment, we are halfway to our goal of \$210K in corporate sponsorship. Speakers we have confirmed include professional emcee Tiernan Madorno, keynote speaker Talithia Williams, alumni Scholars Stephanie Ryder and Osman Salahuddin, and Board Chair Brad Smith.

While fundraising is behind target this year, we are still closing gifts and pursuing fundraising opportunities. Recent notable gifts include \$123K from the BECU Foundation, \$100K from Bristol Myers Squibb, and three gifts of \$10K+. We are pursuing grants from the M.J Murdock Charitable Trust, Lever for Change, Washington Women’s Foundation, and Woodworth Family Foundation. Additionally, we have recruited two new campaign steering committee members and anticipate hosting three to four campaign events in 2025.

We’ve successfully hired and filled all positions on the Advancement team and will have a fully staffed team as of December 16, 2024. With a full team, we anticipate our fundraising activity to ramp up in 2025.

EXTERNAL AFFAIRS UPDATE

Washington’s legislators are gearing up for a busy 2025 session. Lawmakers will contend with a budget shortfall and concerns are beginning to rise that higher education may be at risk, since it’s historically a piece of the budget that suffers during difficult budget times.

In terms of higher education policy interest, reports continue to show that credential attainment lags behind workforce needs and the state’s robust investment in creating one of the nation’s most generous financial aid isn’t enough to drive up enrollments. As a result, recent conversations to implement “Promise” style programs, or a free tuition at a community or technical college, have again picked up momentum. Our statute has been identified as one way to explore making it easier for government partners to create these Promise style programs. We will continue to work closely with legislators to understand what this means for our program.

We closed out the CTS winter/spring cycle with a record number of applicants, as noted in the Awards Administration section. Our Associate Director of Community Engagement has made an incredible impact in this work with her approach to relationship-building. New tactics have included:

- Launching a new Scholarship Champions strategy, which pays current Scholars to promote on our behalf in target communities. This allows us to be present in more spaces while also giving our Scholars valuable leadership and public-speaking experience.
- Capitalizing on other college and career readiness efforts around the state, including partnering with recipients of other workforce development grants such as the Gates Horizon Grants.
- Launched a new effort to co-brand promotional material with colleges and universities. Our first partner is St. Martin’s University, which will be featuring our scholarship in their college and career outreach efforts in the community.

DIGITAL MARKETING AND MEDIA COVERAGE

Org Outcomes	Starting audience as of July 31, 2024	Current audience as of Oct 31, 2024	End of academic year goal (June 30, 2025)	Progress towards goal
WSOS media mentions	N/A	8	32 earned media pieces	25% of goal
ED/Directors appearances in articles/panels/speaking	0	0/0	15 for ED and 7 for other leadership	0% for ED and 0% for leadership
Facebook audience	4,481	4,500	4,589 (111 new followers)	82% of goal
LinkedIn audience	2,709	2,808	2,903 (279 new followers)	49% of goal
Instagram audience	1,314	1,334	1,374 (73 new followers)	67% of goal
TOTAL social media	8,504	8,642	8,866 (463 new followers)	62% of goal

Top Performing Posts

Facebook: [The Career & Technical Scholarship is now open to students who need funding for spring or winter quarter!](#)

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP



Washington State Opportunity Scholarship

Published by Hootsuite

...

October 3 · 🌐

The Career & Technical Scholarship is now open to students who need funding for spring or winter quarter!

Get up to \$1,500 per quarter, every quarter, to cover more than just tuition — think housing, transportation, food, and more.

Apply by October 16, and make sure to complete your FAFSA/WASFA to be eligible. ... [See more](#)

Career & Technical
Scholarship

Get up to \$1500 per quarter

Access to mentorship program

A pathway to high-demand careers

Deadline
Oct 16

[See insights and ads](#)

[Boost post](#)

LinkedIn: [We attended the UW Young Executives of Color \(YEOC\) College Resource Fair a few weeks ago](#)

WASHINGTON STATE
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Washington State Opportunity Schola...
2,843 followers
2w • 🌐

We attended the UW Young Executives of Color (YEOC) College Resource Fair a few weeks ago. We're looking forward to seeing all the upcoming applications to our Baccalaureate and Career & Technical Scholarship in 2025!

University of Washington
16

Like Comment Repost Send

Add a comment...

Instagram: [We attended the UW Young Executives of Color \(YEOC\) College Resource Fair a few weeks ago.](#)

oppscholarship

oppscholarship
We attended the UW Young Executives of Color (YEOC) College Resource Fair a few weeks ago. We're looking forward to seeing all the upcoming applications to our Baccalaureate and Career & Technical Scholarship in 2025!

@yeocuw
@uwfosterschool

No comments yet.
Start the conversation.

View Insights Boost post

35 likes
October 28

Add a comment...

PROGRAM ADMINISTRATOR UPDATE

FINANCE

We have completed several critical milestones across accounting, treasury, compliance, and reporting functions. In accounting, we stood up core ERP processes, closed September financials, and engaged an outsourced accounting firm to assist with general bookkeeping. We also implemented a budget tool that integrates with actuals and provides detailed reporting by expense project and scholarship. On the treasury front, we have invoiced the state for \$7.5M in state match donations and are working to streamline treasury functions to enhance efficiency and effectiveness in managing cash and financial resources. For compliance, our efforts in the next quarter will include engaging Clark Nuber for audit and tax support, standardizing the monthly close process to ensure accurate and timely reporting, evaluating the impact of the scholarship program liability calculation, and finalizing our financial and cash positions with 501 Commons. In terms of reporting and analysis, we are committed to delivering comprehensive reports that support program teams and compliance needs, focusing on ensuring all our systems are appropriately accounted for in our financials.

HUMAN RESOURCES

The HR function for the program administrator is up and running. We are actively recruiting for an HR Specialist to join our team and look forward to welcoming a new member in the next few months. We continue to collaborate with the consulting team of HR experts at OneDigital; they have been moving us through a holistic HR assessment to help us identify areas for improvement organization-wide. Some of our first assessment projects this quarter have included ensuring all required legal posters and notices are accessible for employees, revamping our reasonable accommodation request process, and improving processes for onboarding and hiring both to protect the organization and provide an optimal staff experience. We're currently in the open enrollment period for employees to make their elections for the 2025 calendar year, and our benefits partners and brokers have been responsive and helpful.

Top activities for the upcoming quarter include: 1) a market survey to inform compensation decisions, which is conducted every two years; 2) conducting annual updates to our handbook to align with calendar-year regulations and requirements; and 3) closing out the HR assessment with OneDigital to ensure we are following best practices.

EXECUTIVE DIRECTOR SEARCH

We are nearly two months into our partnership with search firm Egon Zehnder (EZ) to help us find WSOS's next Executive Director. Egon Zehnder has a global reach with a strong presence in Washington state. Our two account consultants are actively recruiting prospective candidates. As of November 20, they have engaged with 26 potential candidates. This group includes priority prospects we sent them, select individuals who applied for the role organically, and prospective candidates they have identified through recruiting efforts. We are seeing a robust and diverse applicant pool emerge, with candidates from various backgrounds and industries. We will discuss the search in greater depth during the Board meeting.

STAFFING UPDATES

Garry Hoffman, CPA (he/him), joined the WSOS Foundation team as the Finance Director on October 28. He started his career as an accounting manager in Denali National Park. A master's degree at Montana State University led him to work at Clark Nuber, a CPA firm in Bellevue, WA. For the past six years, he was the director of finance for a Seattle e-commerce company focused on risk management, tax compliance, and systems implementations.

Cascade Lawrence-Yee (She/Her) joined the Advancement team as the Development Officer on November 18. She brings a depth of educational knowledge and operations experience. Cascade spent several years as a public-school teacher and worked in non-profits supporting their operations. These experiences have shaped her understanding of educational equity, and we are excited for her to bring these skills to our team.

Grace Park (she/her) began supporting WSOS as a temporary Executive Assistant on September 30. She was hired as the Executive Assistant on November 18. Grace has over 10 years of administrative professional experience in the health care, nonprofit, and research sectors. She holds a bachelor's degree in psychology from the University of Washington, complemented by a certificate in fiscal management from the UW Professional & Organizational Development program.

IT AND DATA & SYSTEMS

We're working closely with our IT managed services provider to ensure all staff get the support they need. We've also made progress in improving our cybersecurity position by rolling out a VPN for all staff and for select vendors with access to sensitive PII. We're now in the process of scheduling regular security awareness training for all staff to make sure protecting our data and systems is at the top of everyone's mind – not just IT. We're grateful to Microsoft for helping review our cyber security practices to ensure they are aligned with best practices. Please see the cybersecurity memo in Tab G for more information.

We've added more automation to application processing to improve consistency and reduce the opportunity for errors. This pairs nicely with the Awards team audits on application processing before selection is finalized for each of our scholarships. We're also working with the Awards team to improve our systems for tracking GRD practicum participation and stipend management. The current process was more manageable when GRD had fewer Scholars, but as the numbers increase the need for a better system has arisen. We've finalized our Case Management roll-out and all our shared inboxes are now being tracked and managed in a shared system. Since we launched Case Management in March, WSOS has responded to and closed over 5,800 cases (emails) submitted by Scholars, volunteers, applicants, and others. Staff are closing cases in an average of a half day, with an initial response time of 2.8 hours. We're also now able to track case trends so we can better understand where we can communicate better.

FINANCE & INVESTMENT COMMITTEE UPDATE 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 November 2024 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. Five members participated (56%); they reported the following average scores:

1. They understand the committee's purpose & responsibilities: 5.0
2. The actions taken by the committee align with its purpose & responsibilities: 4.8
3. Meeting agendas support the committee's purpose & responsibilities: 4.2
4. Pre-read materials support the committee's purpose & responsibilities: 4.4
5. The WSOS Board of Directors supports and endorses the committee: 5.0

These scores are on par with prior years with slight increases in responses to questions one and five and slight decreases in responses to questions three and four. Members shared reflections on what's working well. Themes included consistency and engaged participants. For instance, one member wrote: “Staff, WSIB, and F&I Committee members are engaged and motivated to support WSOS.” Another person wrote: “The consistent reporting format/agenda helps us understand and discuss the important changes (planned and unplanned).”

Members were also asked about what could be better, and there was a clear theme: improved financial reporting. One member wrote: “I think we all want the financial reporting to be more accurate and instill confidence.”

Lastly, members were asked about goals for 2025. All respondents reiterated the importance of improving financial reporting. One member wrote: “Establish and maintain clear financial reporting and underlying

procedures so that we can focus on the substance of the numbers rather than the accuracy of them.” Other goals that were mentioned include a successful transition from 501 Commons to the WSOS Foundation and receiving all remaining financial items from 501 Commons.

The evaluation in its entirety is available upon request to any Board member.

WASHINGTON STATE OPPORTUNITY SCHOLARSHIP

Career and Technical Scholarship

Cohort 6 winter Selection Overview

This document describes the selection criteria for and profile of the winter recipients of the 2024-25 Career and Technical Scholarship cohort. This winter brought 968 applicants, from whom we selected 530 for CTS and 43 for Rural Jobs.

Selection Criteria

Based on the Board's directive, the selection criteria below were used.

Category	Factor	Target Weight	Final Weight
Economic Impact	Program	50%	50%
Likelihood of Completion	Essay	15%	15%
Financial Need	Income	20%	15%
Equity of Access	First Generation Status	7.5%	10%
	Single Parent Status*	7.5%	10%

*Single parent status did not apply to applicants who graduated from high school in 2024.

Profile of Selected Scholars

These Scholars have a median family income of \$20,000 and represent 31 of 34 colleges, 31 of 39 counties and 48 of 49 legislative districts. The top 5 colleges they're heading to are: Renton Technical College, South Seattle College, Bellingham Technical College, Centralia College, and Wenatchee Valley College. In terms of programs, the table below shows how the proportion of Scholars selected (% of Selects) compares to the share job openings across the state led to by industry (% of Job Openings).

Industry	% of Eligible Applicants	% of Selects	% of Job Openings
A/V Technology	1%	1%	2%
Accounting & Logistics	6%	6%	4%
Agriculture	0%	0%	1%
Criminal Justice	1%	2%	0.4%
Education	5%	6%	3%
Engineering / Manufacturing	10%	8%	23%
Health Care	47%	45%	23%
Information Technology	7%	12%	19%
Natural Resources	1%	1%	3%
Other	1%	1%	0.2%
Physical Sciences	1%	1%	1%
Trades	20%	17%	19%

The table below shares additional demographic data about Scholars by first generation status, single parent status, race / ethnicity, gender and age. The acceptance rate reflects the percent of eligible applicants whom we selected.

Category	% of Eligible Applicants	% of Selects	Acceptance Rate
First Generation			
Yes	63%	70%	69%
No	26%	19%	45%
Unknown	4%	4%	51%
Zero Parents	7%	8%	74%
Single Parent			
Yes	26%	34%	81%
No	74%	66%	55%
Race / Ethnicity			
American Indian / Alaska Native	2%	2%	62%
Asian	8%	8%	62%
Black or African American	11%	14%	79%
Latinx	28%	28%	61%
Native Hawaiian or Other Pacific Islander	2%	3%	93%
Two or more races	4%	4%	56%
Unknown (did not report)	7%	7%	62%
White	38%	35%	57%
Gender			
Gender non-conforming	1%	1%	80%
Genderqueer	0%	0%	0%
Man	34%	34%	61%
Non-binary	1%	1%	70%
Prefer not to say	2%	2%	60%
Two or more	3%	2%	44%
Unknown (did not report)	8%	7%	59%
Woman	51%	52%	64%
Age			
18 or under	6%	5%	56%
19-22	17%	16%	57%
23-29	29%	27%	58%
30+	48%	52%	67%

Rural Jobs Initiative Cohort 6 - Spring

This spring we selected 43 of 43 eligible applicants. Thirty-three of these recipients were also selected for the Career and Technical Scholarship.

Selection Criteria

Based on the Board’s directive, we select Rural Jobs recipients based on two criteria:

1. The applicant’s points for the Career and Technical Scholarship
2. The applicant’s distance from campus

To ensure an equitable geographic distribution of recipients, we would have included a “regional cap” that limits selects per eligible workforce development region to 1.5 times its share of the state’s rural population. For this cycle no cap was needed.

Profile of Selected Scholars

These Scholars have a median family income of \$20,582 live an average of 16 miles from campus, and represent 5 of 9 eligible regions and 5 of 14 eligible colleges. The table below details selects by [workforce development region](#).

Region	% of Eligible Applicants	% of Selects
Benton-Franklin	0%	0%
Eastern	14%	14%
North Central	37%	37%
Northwest	5%	5%
Olympic	0%	0%
Pacific Mountain	30%	30%
South Central	12%	12%
Southwest	2%	2%
Spokane	0%	0%

In terms of programs, the table below shows how the proportion of applicants compares to selects by industry. At the Board’s directive, a targeted list of programs for each region was developed with the guidance of local workforce development and education officials.

Industry	% of Eligible Applicants	% of Selects
Accounting & Logistics	23%	23%
Education	33%	33%
Engineering / Manufacturing	7%	7%
Health Care	9%	9%
Information Technology	9%	9%
Natural Resource	2%	2%
Trades	16%	16%

WASHINGTON STATE
OPPORTUNITY
 SCHOLARSHIP

GRD Scholarship

Cohort 4 Selection Updated Overview

The Graduate Scholarship (GRD) program selected its fourth cohort this past spring. After selecting 20 new Scholars, the college notified the team that one Scholar did not meet the residency criteria determined by the FAFSA data and verified by financial aid offices. Funds were never disbursed, and a new Scholar was selected to join this cohort. This document describes the selection criteria for and profile of the fourth Graduate Scholarship cohort. This application cycle brought 51 applicants, of whom we selected 20.

Selection Criteria

Based on the Board’s directive, the selection criteria below were used:

Category	Factors	Weight
Financial Need	Income, Student Debt and past use of income-based programs (TANF, Medicaid etc.)	30%
Likelihood of Working in a MUA/HPSA (medically underserved area / health professional shortage area)	Essays	40%
	Letter of Recommendation	15%
Economic Impact	Program Track	15%

Profile of Selected Scholars

These Scholars have a median family income of approximately \$80,471 and represent 5 of the 6 eligible universities and 7 campuses. The universities they’re enrolled in are Gonzaga University, Seattle Pacific University, Seattle University, UW Seattle, WSU-Spokane, WSU-Tri-Cities, and WSU-Vancouver (There are no selects in this cohort from Pacific Lutheran University). In terms of programs there are 15 Scholars in a primary care track and 5 Scholars in the Psychiatric Mental Health Nurse Practitioner program track. Of the selected Scholars, 4 are from rural counties including Douglas, Franklin, and Yakima counties.

Below you’ll find information on the demographics of eligible applicants (n=33). The acceptance rate reflects the percentage of eligible applicants who were selected.

Category	% of Eligible Applicants	% of Selects	Acceptance Rate
Income Category			
Low-income Below 125% MFI	39%	35%	62%
Middle-income	24%	30%	75%
Exceeds 125%	36%	35%	50%
First Generation			
Yes	55%	65%	72%
Associate degree only	6%	0%	0%

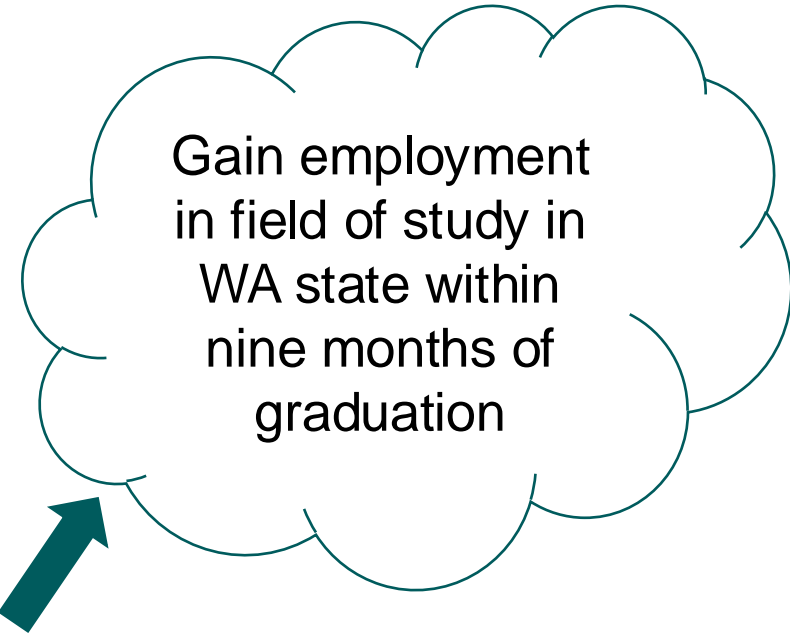
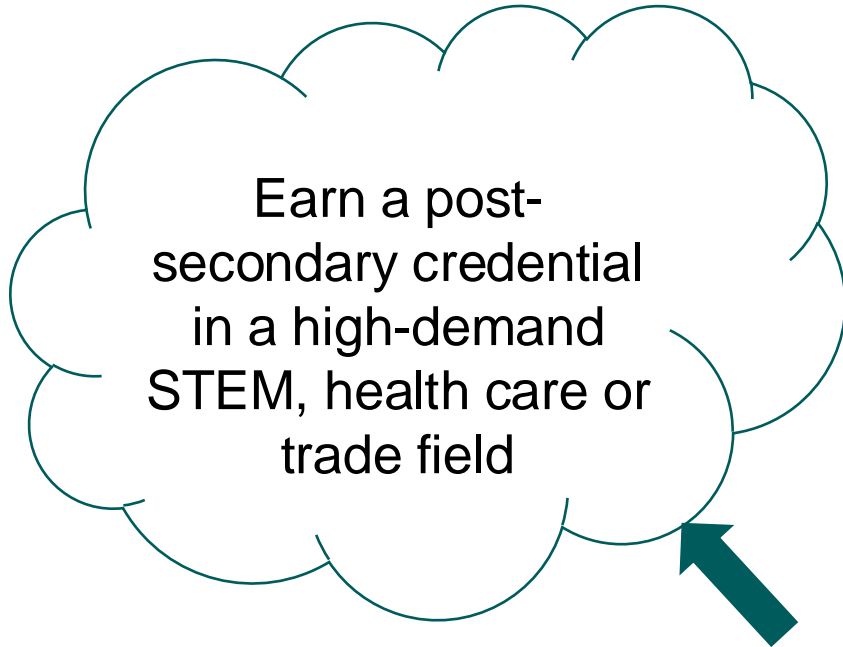
Category	% of Eligible Applicants	% of Selects	Acceptance Rate
No	36%	30%	50%
Unknown	0%	0%	0%
Zero Parents	3%	5%	100%
Race / Ethnicity			
American Indian / Alaska Native	0%	0%	0%
Asian	15%	5%	20%
Black or African American	9%	15%	100%
Latinx	18%	25%	83%
Native Hawaiian or Other Pacific Islander	0%	0%	0%
Two or More Races	3%	5%	100%
White	48%	40%	50%
Did not report	6%	10%	100%
Gender			
Women	70%	70%	61%
Men	12%	15%	75%
Non-binary	6%	0%	0%
Prefer not to say	3%	5%	100%
Did not report	9%	10%	67%



ED CORNER

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

**INTENDED
IMPACT #1**



**INTENDED
IMPACT #2**

THEORY OF CHANGE | Scholarships + Continuum of Support Services

STRATEGIC PRIORITIES

Design scalable, statewide programs.

Build the brand.

Fund to 2030.

Be a preferred workplace.



WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

Org Strategic Priorities: AY2025-26 metrics

Ensuring scalable, statewide scholarship accessibility and financial aid impact	Ensuring scalable, statewide support services	Build awareness of the WSOS brand	Fund to 2030 and beyond	Be a preferred workplace																
AWARDS	PROGRAMS	EXTERNAL AFFAIRS	DEVELOPMENT	OPERATIONS																
80% of applicants are eligible	65%, 45%, 95% graduate in eligible program for BaS, CTS, GRD	At least 33 earned media pieces per year	\$75M raised January 1, 2021, through December 31, 2026, with 25 \$25K to \$1M gifts secured in CY25	Regrettable separation rate below 15%; first year separation rate below 30%; average staff tenure of 36 months																
90% of Scholars complete renewal	Opportunity gaps are less than 10%, 5% by income, race	23 speaking engagements for WSOS leadership per year	75 donors loyal (3+ years) with 50% donor retention rate by end of CY26	90% of staff agree: "I believe the work I do advances our mission"																
90% work fewer hours because of WSOS	95%, 85% of graduates employed full-time within 9 months in any field, in high-demand field	Social media audience size of 4,800 (FB) 2,900 (LI) and 2,700 (IG)	350 new donors acquired in CY26 with 100 total from WA outside of Puget Sound	90% of staff agree: "I would recommend WSOS as a great place to work"																
90% attend full-time because of WSOS	95% of employed in-high demand graduates work in WA	<p>Applicant targets:</p> <table border="1"> <thead> <tr> <th></th> <th>BaS</th> <th>CTS</th> <th>GRD</th> </tr> </thead> <tbody> <tr> <td>BIPOC</td> <td>85%</td> <td>60%</td> <td>55%</td> </tr> <tr> <td>First-gen</td> <td>64%</td> <td>68%</td> <td>70%</td> </tr> <tr> <td>Rural</td> <td>34%</td> <td>40%</td> <td>10%</td> </tr> </tbody> </table>		BaS	CTS	GRD	BIPOC	85%	60%	55%	First-gen	64%	68%	70%	Rural	34%	40%	10%	At least 15% (by #) of donors in CY25 from health care, (S)TEM	90% of staff agree: "I would recommend my supervisor to future employees"
	BaS	CTS	GRD																	
BIPOC	85%	60%	55%																	
First-gen	64%	68%	70%																	
Rural	34%	40%	10%																	

Org Strategic Priorities: AY2024-25 metrics

Ensuring scalable, statewide scholarship accessibility and financial aid impact	Ensuring scalable, statewide support services	Build awareness of the WSOS brand	Fund to 2030 and beyond	Be a preferred workplace																
AWARDS	PROGRAMS	EXTERNAL AFFAIRS	DEVELOPMENT	OPERATIONS																
75%, 85% and 75% of BaS, CTS and GRD applicants, respectively, are eligible	BaS: 90%, 85%, 70%, Y1-Y2-Y3-Y4 with 65% increasing CTS: 80% each quarter	At least 32 earned media pieces	\$4M \$6M (CY24 CY25) with 10 25 \$25K to \$1M gifts secured	Regrettable separation rate below 15%; first year separation rate below 30%; average staff tenure of 28 months																
90% (85%) of BaS (CTS) Scholars renew; 65% of BaS Scholars increase on time	60% of historically excluded Scholars based on race, income & rural participate in programming	Elevate WSOS thought partnership: 15 (7) engagements for ED (Directors)	At least 50 75 (CY24 CY25) donors will be loyal (3+ years)	83% of staff agree: “I believe the work I do advances our mission”																
90% work fewer hours because of WSOS	60% participate in career resources	Social media audience size of 4,589 (FB), 2,903 (LI) and 1,374 (IG)	At least 42% 50% (CY24 CY25) donors will be retained	83% of staff agree: “I would recommend WSOS as a great place to work”																
90% attend full-time because of WSOS	90% report being more prepared	<p>Applicant targets:</p> <table border="1"> <thead> <tr> <th></th> <th>BaS</th> <th>CTS</th> <th>GRD</th> </tr> </thead> <tbody> <tr> <td>BIPOC</td> <td>75%</td> <td>60%</td> <td>50%</td> </tr> <tr> <td>First-gen</td> <td>64%</td> <td>67%</td> <td>65%</td> </tr> <tr> <td>Rural</td> <td>34%</td> <td>40%</td> <td>19%</td> </tr> </tbody> </table>		BaS	CTS	GRD	BIPOC	75%	60%	50%	First-gen	64%	67%	65%	Rural	34%	40%	19%	100% retention of staff by CY25	83% of staff agree: “I would recommend my supervisor to future employees”
	BaS	CTS	GRD																	
BIPOC	75%	60%	50%																	
First-gen	64%	67%	65%																	
Rural	34%	40%	19%																	

Today's Snapshot

<p>Ensuring scalable, statewide scholarship accessibility and financial aid impact</p> <p>AWARDS</p>	<p>Ensuring scalable, statewide support services</p> <p>PROGRAMS</p>	<p>Build awareness of the WSOS brand</p> <p>EXTERNAL AFFAIRS</p>	<p>Fund to 2030 and beyond</p> <p>ADVANCEMENT</p>	<p>Be a preferred workplace</p> <p>OPERATIONS</p>
<p>Improving eligibility of applicants:</p> <ul style="list-style-type: none"> Used feedback from community partners, volunteers, and staff to improve the application by providing clarity and additional resources on completing the application <p>★★★★</p>	<p>Improving persistence:</p> <ul style="list-style-type: none"> 63% of BaS Scholars have engaged with Lead (goal 70%) 56% of new CTS Scholars opted into Lead program (goal 60%) 33% of CTS Scholars have engaged with Lead (goal 30%) <p>★★★☆☆</p>	<p>Media coverage/speaking engagements:</p> <ul style="list-style-type: none"> Due to interim ED status, we are not pursuing ED appearances until a hire is made Media was deprioritized given absences due to family leave and pressing legislative issues <p>★★☆☆☆</p>	<p>Campaign revenue:</p> <ul style="list-style-type: none"> \$2.1M raised in CY24 Brings campaign total to \$51.3M Goal to raise \$60M by end of CY25 <p>★★★★☆</p>	<p>HR and culture enhancements:</p> <ul style="list-style-type: none"> Headcount: 30 Open: 3 New hires last Q: 5 Open enrollment for 2025 active Hosted staff year-end celebration on Dec. 5 <p>★★★★☆</p>
<p>Successfully completing processes (increase, renewal):</p> <ul style="list-style-type: none"> Offered CTS & BaS info sessions to help provide clarity around the increase and renewal process (over 300 Scholars participated) Hosted CTS focus groups to improve understanding of how to improve renewal process <p>★★★★</p>	<p>Closing opportunity gaps:</p> <ul style="list-style-type: none"> Reaching out to the 37% of BaS Scholars who haven't engaged with their Lead yet to encourage them to do so Conducting BaS and CTS midyear assessment in January; we'll share those results at the next Board meeting <p>★★★☆☆</p>	<p>Social/owned media growth:</p> <ul style="list-style-type: none"> On track with social media audience growth <p>★★★★</p>	<p>Donor loyalty:</p> <ul style="list-style-type: none"> 33% donor retention (goal of 42%) 48 donors loyal in CY24 (goal is 50 by end of CY24) <p>★★★★☆</p>	<p>Finance:</p> <ul style="list-style-type: none"> 2022 and 2023 501 Commons audits pending; received restated financials mid-October Opening balance loaded as-is for current reporting (corrections based on audits will be made as needed) Invoiced WSAC for \$7.5M in outstanding state match <p>★★★★☆</p>
<p>Attend school full-time and work less:</p> <ul style="list-style-type: none"> CTS will be launching two renewal cycles starting in Feb, aligning better with when students are completing or needing additional funding <p>★★★★</p>	<p>Improving career outcomes:</p> <ul style="list-style-type: none"> Over 140 unique users on the BaS and CTS job board so far 333 mentor-mentee matches (goal 460) Over 120 Scholars joined Corporate partner events <p>★★★☆☆</p>	<p>Scholarship promotion:</p> <ul style="list-style-type: none"> Surpassed CTS application goal by nearly 40% in first-ever combined winter/spring CTS cycle By year's end, WSOS will have supported 91 events across the state <p>★★★★</p>	<p>Donor acquisition:</p> <ul style="list-style-type: none"> Some progress on major gifts: 9 in CY24 (goal is 25) Advancement team will be fully staffed by December 2024 <p>★★★★☆</p>	<p>IT and Data & Systems:</p> <ul style="list-style-type: none"> Deployed VPN to all staff Engaged with vendor for Security Awareness training for all staff Onboarded WSOSF/WSOS with IT MSP – Executech <p>★★★★</p>

Key wins of the quarter



- Nearly 1,100 CTS winter/spring applications (goal was 800)
- Five new staff members
- First 2025 OpportunityTalks sponsor: Costco at \$100K
- Potential to expand our reach with the new promise-style bill, which is also...

Challenges of the moment



- Staying closely involved with promise-style bill's fast pace
- Continued delays with financial reporting from 501 Commons and the lingering impact on our Finance function

ED CORNER:

Next Steps on the ED Search

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

WSOS Executive Director Search

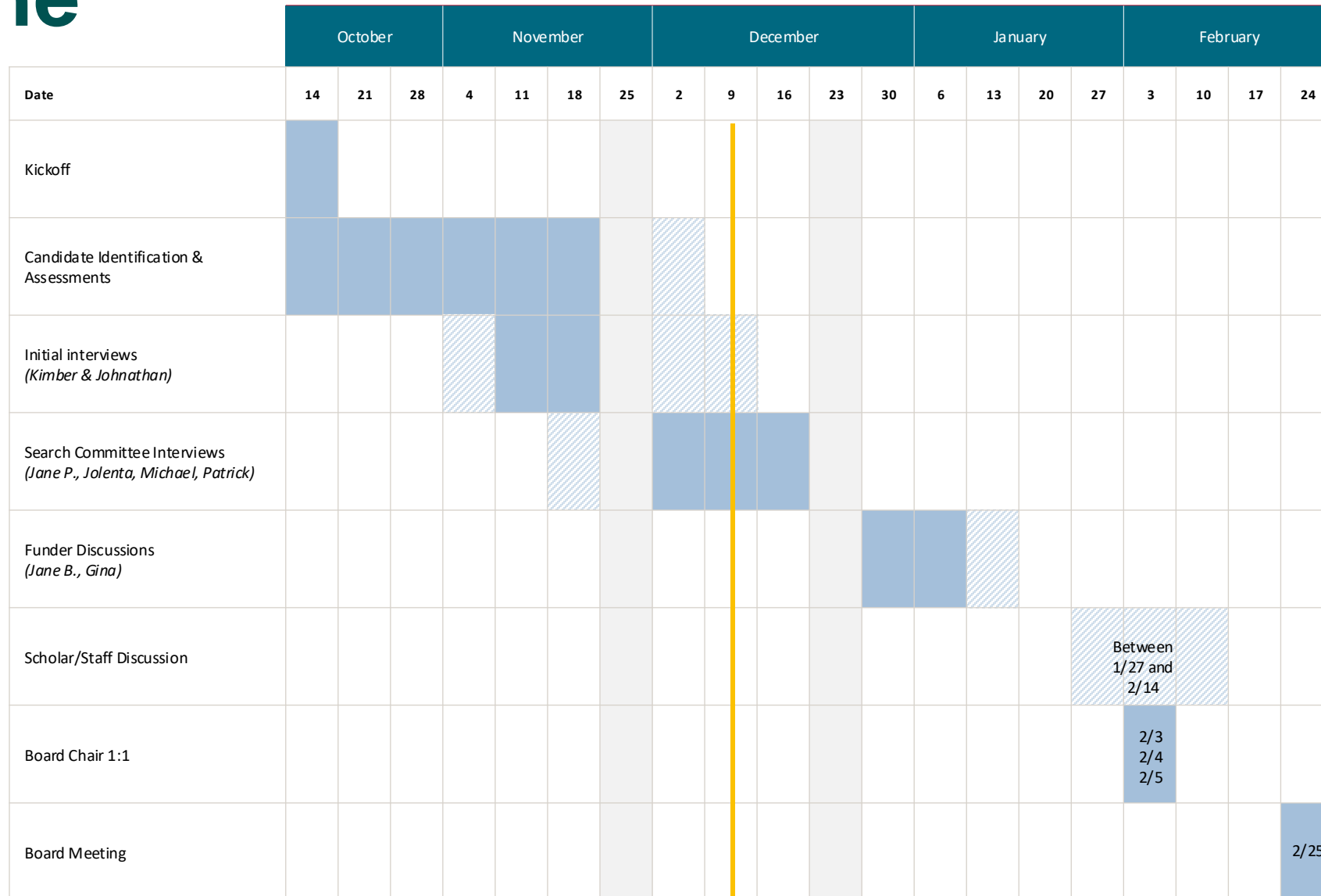
- **Key similarities**

- Job announcement content (with new firm branding)
- Salary range
- Interview timeline and stakeholders

- **Key differences**

- New search firm: Egon Zehnder
- Expanded reach
- Interview loops

Timeline



How the Search is Going

- **Promising start**

- Egon Zehnder has engaged with ~30 potential candidates
- Includes our priority prospects, candidates they have recruited, and select individuals who applied online

- **Robust and diverse applicant pool emerging**

- Variety of lived experiences
- Examples of orgs where they've worked: Microsoft, Boeing, Amazon, United Way of King County, and other nonprofits

- **Current step: early interviews**

Requests Related to the ED Search

Two requests for Board action

- 1. Keep Johnathan as interim ED and Kimber as full-time until April 30 or the new ED starts, whichever comes first**
 - In July, the Board voted for Kimber to *“appoint an interim ED starting on September 1 for up to six months with the possibility of extending the contract if needed”*
 - Board also voted for Kimber to *“remain employed as a full-time employee until December 31, 2024”*

Requests Related to the ED Search

2. **Delegate authority to Jane Park to determine the next ED's salary**
 - Salary would be within the \$200-225K range the Board set
 - Also suggest Board authorize Jane to include up to \$10K in relocation expenses if the next ED is moving for the role
 - Aligned with legal counsel on this delegation

REQUESTED BOARD ACTION

- Vote to approve:
 - Keeping Johnathan as interim ED and Kimber as full-time until April 30 or the new ED starts, whichever comes first
 - Delegating authority to Jane Park to determine the next ED's salary within \$200-225K, plus up to \$10K in relocation expenses

Tab D

Legislative Update

2025 LEGISLATIVE SESSION PREVIEW

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

GOAL

- Share preview of 2025 legislative session landscape
- Preview bill and potential impacts to WSOS
- Discussion
- Action: Board position on bill

Election brings another wave of new members, small increase in already large Democratic majorities

- Democrats likely to hold 60% majorities in both chambers
- Longtime WSOS champions are no longer in Olympia
- Education on WSOS and relationship-building are a high priority

Legislators face multi-billion budget shortfall, impact to higher ed unclear

- Shortfall due to 15.8% growth in spending with projected revenue growing at only 3.5%
- Higher education is historically vulnerable during tight budgets
- Higher ed enrollment remains a concern

Credential attainment still lags

- 12.8% job growth rate through 2032
- Estimated 1.5M job openings, 75% require postsecondary credentials
- Need for WSOS continues to increase



Source: WA Round Table

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Generous aid in WA not enough to change enrollment, legislators look to Promise programs

- Policies to make community college free have been explored for almost a decade
- Two Promise-style scholarship programs introduced in 2024, Renton Promise funded in 2023
- Some legislators interested in better serving middle-income families

Bill to modify WSOS statute, creating more local government Promise-style programs

- Draft legislation would allow government partners to create program rules that expand WSOS eligibility
- Our must-haves:
 - No use of private dollars or their state match
 - Separate program, funding, branding reporting, etc.
 - Exploring adding a data requirement

Recommended Board position on bill

- Neutral
 - Good for Washington students
 - Preserves intent of Opportunity Scholarship
 - But... there are administrative unknowns
- Why we seek your position

Discussion

- Are there other must-have items we should be considering?

REQUESTED BOARD ACTION

- Vote to establish Board position of neutral for Promise-style bill

Next steps

- We will stay connected to this bill throughout the process
- Legislative session starts on January 13, 2025

Tab E

Campaign Update

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

TOMORROW, TODAY
CAMPAIGN UPDATE

OVERVIEW FOR TODAY

1. 6-month progress update
2. Campaign reality check
3. Looking ahead to 2025

TOP STRATEGIES FOR PAST 6 MONTHS

- 1. Build and retain the team:** Recruit, hire, and on-board three key roles for the Development team.
- 2. Deploy the Executive Director:** Coordinate a roadshow for the incoming ED to meet and connect with key partners and donors.
- 3. Streamline systems.** Maintain engagement and stewardship by more effectively leveraging our CRM and finance information system.

WE'VE BUILT A FULL TEAM

We've built a sustainable fundraising team. Our team will be fully staffed by December 16, 2024. Over the past 6 months we've filled these roles:

- Corporate Partnerships Manager
- Development Officer
- Digital Media and Design Officer
- Events Officer
- Major Gifts Officer

WE'RE EXPANDING OUR REACH

While we wait for a new ED, we continue to meet with new partners and foundations.

- We attended the Regional Leadership Conference and connected with over 30+ corporate, government and non-profit partners.
- We've recruited two new members to the Campaign Steering Committee and are reinvigorating our campaign momentum.
- We're pursuing new foundation funding opportunities, like Lever for Change, Murdock Foundation, Greater Health Now.

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SCHOLARSHIP

WE'VE STREAMLINED OUR SYSTEMS

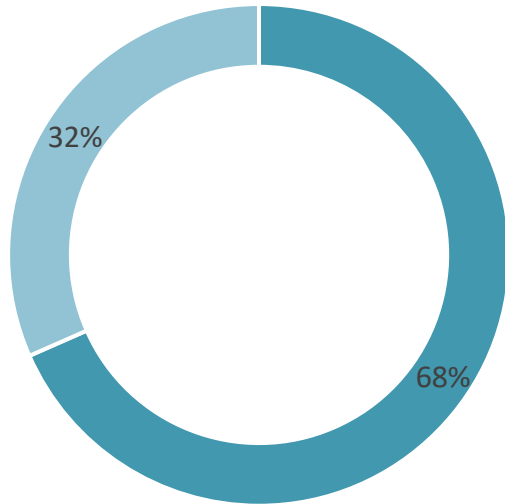
- **We have a reliable finance partner with WSOSF.** Reporting will be simplified and enable us to apply for more foundation opportunities.
- **We're effectively engaging and stewarding our existing partners.** We're leveraging our CRM to promote donor retention and loyalty.



CAMPAIGN PROGRESS

WE ARE STILL IN THE FINAL THIRD OF THE CAMPAIGN AND BEHIND PACE.

- We've raised **\$51.3M** to date and are **68%** toward the \$75 Million goal.
- The current funding gap won't affect us in the short-term, though we will work with finance in 2025 to determine the long-term implications (e.g., cohort size).



- Raised to date \$51,305,669
- Remaining to be raised \$23,694,331

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OPPORTUNITY
SCHOLARSHIP

WE'RE STILL CLOSING GIFTS

- **Recent notable gifts**

- \$100k Costco sponsorship
- \$123k BECU Foundation
- \$100k Bristol Myers Squibb
- 3 gifts of \$10k+

- **Gifts in process**

- \$750,000 renewal from the Connell Family
- Grant applications for M.J Murdock Charitable Trust, Lever for Change, Greater Health Now

KEY STRATEGIES IN 2025

- 1. Pursue regional and industry-specific fundraising opportunities:** Coordinate regional trips to cultivate new partnerships. Strategically target industries that align with WSOS.
- 2. Build and steward new supporters:** Host engaging campaign events. Prioritize relationship management of major donors.
- 3. Deploy the Executive Director:** Coordinate a roadshow for the incoming ED to meet and connect with key partners and donors.

DISCUSSION

What additional strategies should we consider to elevate our profile in the region and across the state?

Tab F

Awards Update

WASHINGTON COLLEGE GRANT

WSOS ALIGNMENT UPDATE

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

UPDATE

- Continued research on the questions posed by the Board led to additional questions that need further investigation
- Financial modeling has been delayed with the transition to the Foundation

NEXT STEPS

- Continue to work with the finance and advancement team to review scholarship modeling
- Develop an implementation plan for current Scholars
- Present proposed structure in Q1, 2025, for a vote

GRADUATE SCHOLARSHIP (GRD)

GRADUATE EXPANSION

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

GOAL

- Vote to approve adding the following GRD eligible programs:
 1. **Master of Social Work (MSW)** - mental health counseling, family and marriage, social work
 2. **Doctor of Nursing Practice (DNP)** - Certified Nursing Midwife

WASHINGTON STATE HEALTHCARE NEEDS

The demand for **social workers** in Washington State is growing significantly

- The U.S. Department of Labor estimates a **13% growth in social work vacancies across Washington by 2028**, which is faster than the national average
- Washington is among the **lowest-ranking states** in the nation in serving people with mental health challenges
- **Nearly 25% of adults with a mental illness have reported they could not access care**—a situation only exacerbated by the pandemic

WASHINGTON STATE HEALTHCARE NEEDS

Washington State **urgently needs more midwives**, especially in **rural areas** where nearly **half the counties lack adequate obstetric care**

- This shortage has worsened with a **30% decrease in birthing hospitals**
- Certified Nursing Midwives (CNMs) handle **12% of births statewide and 31.6% in rural hospitals**, offering **comprehensive and cost-effective** maternal health care, including **prenatal care, deliveries, and newborn care**

NEW FUNDING AND PARTNERSHIP OPPORTUNITIES

- **Washington State Behavioral Health Workforce Development Initiative (WDI)**
 - Funded by the Ballmer Foundation
- **Lever for Change grant** looks to support organizations dedicated to **women's health care**
 - Melinda French Gates organization
- **Washington State Board of Nursing** has also reached out to partner and support in expanding our eligible programs due to medical shortages in rural regions

REQUESTED BOARD ACTION

- Vote to approve adding the following GRD eligible programs:
 1. **Master of Social Work (MSW)** - mental health counseling, family and marriage, social work
 2. **Doctor of Nursing Practice (DNP)** - Certified Nursing Midwife

Pending funding for both programs

Tab G

Finance & Program Administrator Update

FINANCE & PROGRAM ADMINISTRATOR UPDATE

September 30, 2024

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

PROGRAM ADMINISTRATOR UPDATE

- **HR**
 - Performing a full HR assessment in partnership with OneDigital
 - Assessing HR function and structure
- **Finance**
 - Received restated financials
 - Entered opening balance sheet; awaiting audits
- **IT**
 - Launched cyber security and awareness training
 - Partnering with Microsoft on security assessment
- **Other Operations**
 - Preparing for interim ED support

REQUESTED BOARD ACTION

- Vote to approved new WSOSF Board member, [Javania Cross Polenska](#).



WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP
FOUNDATION

MEMO

Subject: WSOS/WSOSF Cybersecurity
From: Lisa Magennis, Data & Systems Director
Date: November 12, 2024

Background

WSOS Foundation (WSOSF) is taking a proactive approach to cybersecurity. In the past, our program administrators have set their own standards for keeping sensitive data secure. Now, we're bringing everything together under one solid security strategy specifically focused on proactive measures. We're grateful for the opportunity to collaborate with Microsoft in assessing our cybersecurity position. Our goal through this partnership is to leverage Microsoft's expertise to strengthen our security strategy by addressing identified weaknesses and building upon existing strengths.

Current State

We currently have both proactive and reactive measures in place to help mitigate our cybersecurity risks. Reactive measures include cyber insurance with coverage up to \$5M and contract language for high-hazard vendors (those with access to sensitive data) that includes their own insurance requirements and significant data security and protection provisions.

While reactive measures are important, our focus has been on preventing cyber risks through the following proactive measures:

- Using a Virtual Private Network (VPN). NordLayer VPN is active and installed on all WSOS-owned laptops as well as rolled out to specific vendors who have access to our PII.
- Requiring cyber training for all staff. We are rolling out security awareness training that includes a special focus on phishing scenarios (the top vulnerability for nonprofits reported by our insurance provider) utilizing Huntress.
- Utilizing malware and SPAM software. We have installed malware and SPAM software on all WSOS-owned devices. This includes the use of Sophos Email Gateway, an email security and SPAM filter and Sophos Intercept-X Advanced, an anti-virus and ransomware protection tool that also serves as a web filter and USB storage device control.
- Requiring use of a password manager. We use and enforce the use of Keeper as the password manager for all WSOS staff. All passwords are required to be random, stored in Keeper, and shared only as necessary with other staff using the secure Keeper Share function.
- Requiring staff comply with security expectations. We strengthened your data security requirements of all staff in the Employee Handbook including requirements for staff to use multi-factor authentication (MFA) whenever possible and safeguard physical devices (e.g., requiring "locking" phones and computers, not leaving devices in vehicles). We also deployed a clear Personally Identifiable Data (PID) labeling system in our SharePoint system and have managed our first annual deletion activity with all staff.

Perhaps most importantly, WSOSF uses a "least privilege access model" where we proactively limit who has access to sensitive data to only individuals with legitimate, need-to-know business requirements.

Microsoft Collaboration

In our initial meeting with the Microsoft team in October, we presented an overview of our current cybersecurity approach (see "Current State" above). During our follow-up meeting in November, we invited a senior engineer from our IT managed services provider (MSP), Executech, to assist in answering questions. Our contact at Microsoft noted we have many strong policies and procedures in place to keep our information secure.

We left our November meeting with the agreed-upon next steps:

- 1) We are supporting our IT MSP as they assess our environment and develop a comprehensive IT Roadmap to share with Microsoft's team.
- 2) Microsoft has committed to reviewing this roadmap and providing recommendations on specific areas where Microsoft's assistance or expertise could further strengthen our cybersecurity posture.

BOARD RESOLUTION:
PROGRAM EXPENSE RATIO RANGE

***Proposed to the Washington State Opportunity Scholarship Board of Directors
December 9, 2024***

Background. A program expense ratio (program expense / total expenses) evaluates mission efficacy by calculating a percentage that reflects the proportion of funds directed to program costs within an organization's total expenses. Total expenses are inclusive of both program and administrative costs. Credible sources consider a program expense ratio of 65% and above good, and 85% and above excellent. The program expense ratios for the 2023 and 2024 WSOS budgets were 90% and 89%, respectively.

Problem statement. While WSOS has maintained an excellent program expense ratio, we would benefit from a codified range that defines our continued success. We want to maintain our excellent status to reinforce the confidence of funders and key stakeholders. On the other hand, members of the Finance & Investment (F&I) Committee and Board felt it important the program does not sacrifice quality or innovation in service of keeping expenses low and recommended WSOS consider a range rather than simply a floor for this ratio. Another benefit of having a range is providing flexibility so that we can account for minor variances from year to year. The F&I Committee suggested a range of 85%-92% at the Q2 2024 meeting. This range would keep the low end of the ratio within the "excellent" category described above while the top end of the range is just slightly higher than the budgets approved in 2023 and 2024.

Proposed resolution. Budgets submitted for WSOS Board approval will include a program expense ratio between 85% and 92%.

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

FINANCE & INVESTMENT COMMITTEE MEETING AGENDA
OCTOBER 24, 2024 | 1:00-2:00 P.M.
REMOTE

To join virtually: Click on the Microsoft Teams link in meeting invitation or dial in #: +1 332-249-0607 Phone Conf. ID: 646 035 354#

I.	Meeting Called to Order	Patrick Smith Board Member Committee Chair	1:00-1:00p
II.	Restated Financial Statements	Nancy Long Eileen Moran 501 Commons	1:00-1:45p
III.	Executive Session	Patrick Smith Board Member Committee Chair	1:45-2:00p
IV.	Meeting Adjourned	Patrick Smith Board Member Committee Chair	2:00p

Upcoming Committee Meetings

December 4, 2024

Restated WSOS Financial Reports

501 COMMONS PRESENTATION OCTOBER 24, 2024

Bottom line: We believe the reviewed financials are accurate and complete

- 501 Commons offered to prepare and present restated financial reports to enhance WSOS's ability to make year-to-year comparisons. This was not a contractual requirement. Restated financials were prepared for fiscal years 2022 and 2023 and Qtr2 2024, the last financial report prepared under the contract.
- In the process of preparing for the audits and producing these restatements Eileen, Edmund, and Jenny have reviewed two years of financial records. It is normal for errors in coding, duplicate entries, etc. to be discovered in the year-end closing and audit preparation process. This is especially true if you are running two “companies” through your financials, are working with new financial software, are transferring the numbers to a spreadsheet manually, and have new (and early career) staff. It is also normal that periodic adjustments, like the accruals made through the annual update in the scholarship model, create changes to reports prepared throughout the year.
- The restatements provide the final reviewed and documented numbers. The 2022 audit is again underway after being impacted by WSOS making competing demands that we simultaneously respond to 34 data requests from Clark Nuber when the audit was launched in June.
- The auditors have not identified any problems with the data provided nor asked that we make any adjustments. They confirmed that the net asset roll forward balances.
- The auditors may still find an error or disagree with our approach on something, but you will have the information when we receive the internal audit report.

What cause variance in the restated financials?

1. Accruals: A major source of variance is that the whole scholarship model is updated only 1-2 times a year. For the other reports, the accruals are estimated. Quarterly reports prepared by WA STEM would also vary from the YE report with the scholarship model updated.
2. Mistakes such as incorrect WSIB total entered into Excel; incorrect coding by WSOS or 501 Commons staff
3. Data that was not available when the original reports were prepared like benefit chargebacks, refunds, checks that were never cashed and had to be voided/resent
4. Delayed reconciliations such as pledges receivable
5. Changes in the treatment of assets upon review such as changing an asset from being expensed to it being capitalized.
6. Changes to conform treatment to prior reports done by WA STEM, such as treatment of prepaid fees.

Changes in total assets in the restated reports

2022: - 3.2%

2023: + 3.1%

2024 Q2: +1.1%

Factors Influencing Timeliness of Accounting Processes

Provided for background,
not for presentation at the
F&I Committee meeting.

Contract startup and systems issues

Staff turnover and workload

**Complexity of financial processes,
customizations, and unanticipated
workload**

Contract start-up and systems issues

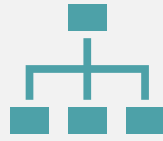
- In 2022, 501 Commons took over the PA role in September but did not receive the financial data from WA STEM, the previous administrator until the books were closed the 4th week of October. Similarly, the handoff of financial data to WSOS is occurring next week.
- While some training on the overall structure of WSOS finances was provided to 501 Commons staff by WA STEM under their \$100,000 transition contract, the 501 Commons staff had to become familiar with many of the custom reporting requirements through the time-intensive report preparation
- To handle the higher level of financial activity, the 501 Commons converted from Quickbooks to MIP.
 - MIP made some errors when setting up the software. When these errors were discovered, it required some correcting entries.
 - MIP failed to make required templates available for several weeks in Dec-Jan, which delayed the import of financial data, causing us to fall behind in data entry and reporting.
- We experience significant problems with other systems we have invested in to automate and improve payroll and finance processes.
 - Issues with Paylocity botching the implementation of open enrollment when they lost and did not replace the person responsible for migrating open enrollment benefits into the payroll function.
 - Benefit feed that cancelled dental coverage every Wednesday – causing our HR director to have to reactive people weekly for several months.
 - Empower failing to notice a breakdown in contribution reports, including months of denying responsibility, and causing us to manage the contributions manually

Staffing strains and turnover

Beginning in fall of 2022, when the national voluntary turnover rate was 25%, turnover caused us to fall behind on reconciliations, charge-backs accruals and deferrals, depreciation, the scholarship model updates, and other year-end adjustments.

- Two unsuccessful hires for the deputy director.
- Long-time accountant had a March emergency medical leave and subsequently left the organization due to the WSOS workload.
- Newly hired accountant immediately left due to the WSOS workload. In late March we hired 1.0 FTE AP/payroll specialist and a .5 FTE AR specialist.
- Eileen planned to prep the 2022 Audit in May-June and then retire. Eileen had to delay work on the audit scheduled for June to work on WSOS. The finance director with MIP experience we hired in April left in July due to the WSOS workload.
- We contracted for MIP accounting support, which proved unsuccessful.
- Eileen returned as the Finance Director in August. We hired a .6 FTE senior accountant who had some MIP experience. Eileen and Edmund, the AP/Payroll specialist, have worked constant overtime throughout the contract.
- In 2023 we were staffed for admin and finance at a level well above the staffing included in our bid proposal.

**Complexity of
financial
processes,
customizations,
and
unanticipated
workload**



The structure of the WSOS program is very complex, which drives complexity in financial reporting.



Special programs, bonuses, and awards for staff. There is often little notice before these need to be executed. These require many hours of custom work which push routine financial functions aside.



Operating choices such as broad distribution of credit cards, “top off” benefits for family and medical leave that require extensive monitoring and calculations.

**Washington State Opportunity Scholarship
Comparative Balance Sheets
December 31, 2022**

	Comparison to Last Reported Period				As Previously reported			Comparison to Same Period LFY		
	10/31/22	% Change	12/31/22	Notes	12/31/22	Variance	Notes	12/31/21	% Change	12/31/22
Assets										
Cash	5,555,482	-78%	1,196,247	1	1,195,807	440	1	409,914	192%	1,196,247
Investments	93,374,434	1%	94,104,901	2	97,893,099	(3,788,198)	2	106,810,697	-12%	94,104,901
Accounts Receivable	182,444	0%	183,200	3	181,696	1,504	3	137,998	33%	183,200
Pledges and Grants Receivable, net	21,864,082	-2%	21,529,082	3	21,529,082	0		27,615,333	-22%	21,529,082
State match receivable, net	-		-	4	-	-		118,687	-100%	-
Unbilled State match revenue	5,249,027	10%	5,795,246	4	5,465,861	329,385	4	4,048,643	43%	5,795,246
Unbilled State match receivable, offset	(5,249,027)	10%	(5,795,246)	4	(5,465,861)	(329,385)	4	(4,048,643)	43%	(5,795,246)
Prepaid Expenses	59,454	-7%	55,285		59,662	(4,377)	5	45,589	21%	55,285
Property and equipment, net	14,722	-12%	13,023		15,553	(2,530)	6	11,058	18%	13,023
Total Assets	121,050,618	-3%	117,081,739		120,874,899	(3,793,160)		135,149,276	-13%	117,081,739
Liabilities and Net Assets										
Accounts Payable	266,476	-12%	234,565		290,924	(56,359)	7	127,561	84%	234,565
Payroll Related Liabilities	12,534	365%	58,243	5	53,107	5,136	8	168,648	-65%	58,243
Scholarship Commitments Bacc, net	21,253,524	38%	29,406,384	6	17,937,154	11,469,230	9	16,824,758	75%	29,406,384
Scholarship Commitments CTS, net	3,895,503	6%	4,117,514	6	3,680,713	436,801	9	3,399,761	21%	4,117,514
Scholarship Commitments RJI, net	196,064	26%	246,287	6	174,864	71,423	9	194,023	27%	246,287
Scholarship Commitments GRD, net	424,684	85%	786,386	6	691,055	95,331	9	113,209	595%	786,386
Total Liabilities	26,048,785	34%	34,849,377		22,827,817	12,021,560		20,827,960	67%	34,849,377
Net Assets										
Temporarily Restricted Net Assets	95,001,833	-13%	82,232,361		98,047,082	(15,814,721)		114,321,316	-39%	82,232,361
Permanently Restricted Net Assets	-	0%	-		-	-		-	0%	-
Total Net Assets	95,001,833	-13%	82,232,361		98,047,082	(15,814,721)		114,321,316	-28%	82,232,361
Total Liabilities and Net Assets	121,050,618	-3%	117,081,739		120,874,899	(3,793,160)		135,149,276	-13%	117,081,739

For Restated Numbers

- Decrease in cash between November and December primarily due to scholarship disbursements and normal payables activity. There were few private receipts when compared to other periods: \$385K received from City of Seattle, \$100K from Bristol Myers Squibb, \$50K from the Seattle Foundation, \$25K from Frontstream, \$10k from Diane Cecchetti, and \$24.7K from various individual donors. Scholarship refunds in November and December were \$94.5K for BaS and \$139K for CTS. Disbursements were \$167k for BaS and \$272.5K for CTS. Disbursements were \$4.65M for BaS, \$1.8M for CTS/RJI and \$106.6K for GRD, which included \$10.8K for Preceptor and travel stipends.
- Investment balance as of 12/31/22 includes WSIB BaS Scholarship \$57.6M, WSIB CTS Scholarship \$29.3M, WSIS Endowment \$6.3M, and WSIB GRD Scholarship \$881.7K. During the period of Nov - Dec, net investment gains across all accounts totaled ~\$730K.
- Accounts receivable balance at 12/31/22 primarily made up of \$180K Employee Retention Credit related to Q3 2021, for which we are awaiting payment from the IRS. Pledges receivable is primarily made up of \$12.5M from MSFT (to be paid in annual \$2.5M installments), the \$9M pledge from Gary Rubens, and \$41.2K from WA Forest Protection Assoc. note: Ballmer has also committed \$10M and we received the first \$2.5M in Sep. However, since it is being paid through a DAF, GAAP accounting does not allow us to record the revenue until funds are received, so it is not presented above. Similarly, we have a pledge of stock valued at ~\$750K donated by Daryl and Michelle Connell that will also process through a DAF.

- 4 **This is WA STEM narrative:** After payment by WSAC of a portion of the August State Match invoices, WSAC depleted all matching funds for the FY ending 6.30.22. WSAC received additional appropriations at the beginning of their fiscal year on 7.1.2022 and we immediately invoiced for all private gifts from August 2021 through June 2022, as well as July 2022 as soon as we were able. We collected \$8.35M in state match receipts for those periods and were also able to send an invoice for a portion of the August receipts (the total balance of the state match receivable) before expending the appropriations for fiscal year starting 7.1.22, but for \$386K retained to fund match for City of Seattle DEEL agreement. \$85K in unbilled represents the portion of August receipts in excess of appropriations held by WSAC. **501 Commons narrative added:** New unbilled additions since exhausting the last appropriation are primarily made up of \$2.51M paid by Boeing, \$2.5M paid by Balmer, \$200K paid by Bristol Myers Squibb, \$50K from the Seattle Foundation, \$25K from Frontstream, \$10K from Diane Cecchetti and various, smaller individual donations.
- 5 All WSOS employees were paid out final payroll through 8/31/22 in September, along with accrued vacation days due to a Program Administrator change to 501 Commons. This balance represents the retirement liability, WA L&I, accrued benefits and the accrued PTO Liability (\$42K) created for the period Sep - Dec 2022.
- 6 Increase in liabilities resulted from scholarship disbursements net of refunds of \$6.2M (BaS) \$4.6M, CTS/RJI \$1.5M, GRD \$106.6K) and the update to the scholarship model, which increased the liability \$15.3M (\$12.8M for BaS, \$2.1M for CTS/RJI, and \$464.6K for GRD).

For Variances

- 1 Bank statement was not reconciled at the time the original financials were prepared. It was reconciled and the correct balance was created by adding the missing transaction(s).
- 2 Uncertain as to why this was misstated. I have not been able to recreate the error, but the likely reason is that the wrong WSIB report was used. There was also a cash transfer from WSIB during this period that was mistakenly disregarded. It should have been reflected in the final investment balance.
- 3 Subsequent to the original financials being prepared, some credit card transactions for Job Target were moved from expense and added to this misc receivable as refunds were being processed.
- 4 Had not previously included the unbilled City of Seattle Promise Scholars balance. This difference is making that correction.
- 5 While preparing for the audit, I discovered transactions that should have originally been coded to prepaid expense and amortized that had been fully expensed. This is the result of making those correcting entries.
- 6 While preparing for the audit, I discovered transactions that should have originally been coded to PP&E but had been expensed. Corrections were made and the new number is reconciled.
- 7 A duplicated entry was found when preparing 2022 for the audit. WSU scholarship disbursements in Sep and Oct were paid by check because WSU had not supplied banking information in time. The checks were not cashed and BILL automatically voids them after 90 days and returns the funds. The disbursements were reissued as part of larger disbursements in January and February and became part of the payable created at that time. The original payable was in QB and became part of an account in MIP that is not automatically included in A/P aging when pulled, so was overlooked until preparing for the audit. It became necessary to record the change in the correct fiscal period. There were also additional expenses added after the
- 8 Corrections were made subsequent to preparing the original financials.
- 9 At the time the original financials were prepared, the scholarship model had not been updated and an accrual had been booked in its place. The model was subsequently updated for YE and the liability was adjusted accordingly.

Variance percentage -3.2%

Washington State Opportunity Scholarship

Income Statements

Actual vs. Budget

Twelve Months Ending December 31, 2022

	Twelve Months Ending December 31, 2022			Notes	As Previously Reported		December 31, 2022
	Actual	Budget	Variance Fav (Unfav)		Actual	Variance	
Revenue							
Private	4,053,772	16,362,500	(12,308,728)	1	4,053,772	0	16,362,500
Public	8,551,718	8,469,345	82,373	2	8,551,718	0	8,469,345
Investment Dividends & Interest	214,841	45,000 *	169,841	3	251,999	(37,158)	45,000
Investment Unrealized/Realized Gains	(10,597,138)	4,661,752 *	(15,258,890)	3	(6,843,455)	(3,753,683)	4,661,752
Investment Fees	(49,860)	(61,940) *	12,080	3	(54,737)	4,877	(61,940)
Total Revenue	2,173,332	29,476,657	(27,303,325)		5,959,297	(3,785,965)	29,476,657
Program Expense							
Salaries and Benefits	2,625,159	3,185,747	560,588	4	2,621,583	3,576	3,185,747
Professional Fees - Program Admin fees	757,908	718,273	(39,635)	5	757,908	-	718,273
Professional Fees - Contractors & Lobbying	298,724	473,674	174,950	6	643,435	(344,711)	473,674
Conferences, Conventions & Meetings	31,895	190,221	158,326	7	40,971	(9,076)	190,221
Operating Expenses	375,784	323,622	(52,162)	8	217,128	158,656	323,622
	4,089,471	4,891,537	802,066		4,281,025	(191,554)	4,891,537
Income (Loss) before Scholarship Exp	(1,916,138)	24,585,120	(26,501,258)		1,678,272	(3,594,410)	24,585,120
Scholarship Expense	30,173,011	21,025,426	(9,147,585)	9	16,380,338	13,792,673	21,025,426
Net Income (Loss)	(32,089,149)	3,559,694	(35,648,843)		(14,702,066)	(17,387,083)	3,559,694

*Approved Budget did not include investment returns or fees, we have included based a conservative estimate in the above. See Note 3 for more information.

For Restated Numbers

1 New revenues between Nov and Dec totaled \$217K which included \$100K from Bristol Myers Squibb, \$50K from the Seattle Foundation, \$25K from Frontstream, \$10K from Diane Cecchetti, and \$32K from various individual donors. In April, WSOS secured a \$10M pledge from Ballmer Group, however, this could not be recorded as revenue on a GAAP basis; they plan to pay via a Donor Advised Fund. In December, a stock donation with an estimated value of \$750K was donated by Daryl and Michele Connell via a DAF, so it also will not be recognized as revenue until funds are received. Budget expected additional cornerstone funding of ~\$15M, the Ballmer gift accounts for \$10M of that and the other \$5M from MSFT, which was 2021 revenue and grant received after the budget was prepared. See 12/31/21 reporting for revenue overage explaining much of difference.

2 Revenue Public: After appropriations were received in July 2022, WSOS was finally able to record state match revenue for the period of August 2021 - August 2022. WSOS expects similar delays going forward, and expects next appropriation to occur in July of 2023. For the period Nov-Dec 2022 WSOS recorded no new revenue as the appropriation is exhausted but for the \$385K for Promise Scholars, which was submitted in the new year.

3 Investment Returns: Actual YTD includes unrealized/realized losses of \$10.6M, interest & dividend income of 214.8K and investment expense of \$49.9K. The approved budget included unrealized/realized gains, dividends & interest, and investment fees based on a conservative rate of return for equities and fixed income for each scholarship. Forecasting this difficult year for the markets was certainly unforeseen.

4 Personnel expenses are over budget by ~\$560K, the savings were due to position gaps related to departures (Baccalaureate Adviser, Senior Career Development Advisor, Awards Coordinator, Database Manager, Senior Development Director), as well as delays in hiring certain positions that were budgeted to start early in the year (Data Analyst, Senior Development Manager, Donor Relations Officer).

5 Program Admin Fee came in over budget, as the total cost of transition fees to be paid to WA STEM and to 501Commons were not fully known at time of budgeting.

6 Professional Fees - Contractors & Lobbying: under budget primarily due to predicted PR campaign consulting which was budgeted for the full year but which has not yet started (~\$53K), as well as Website refresh consulting which was budgeted in February but which has not yet occurred (\$10K). These were offset by overages in legal of ~\$22K due to higher than expected legal costs during PA transition, as well as overages in recruitment and temporary support of \$8K and \$15K respectively due to turnover and difficulty in hiring open positions. BaS Scholar Lead and CTS Ambassador are on track to budget for the year, and represent \$108K and \$10K, respectively, of the professional fees actuals.

7 Conferences, Conventions, and Meetings costs were under budget for a few reasons, firstly, we budgeted for additional fundraising events outside of Opportunity Talks this year, but so far those haven't happened. Secondly, the WSOS office did not begin to open until March, while the budget expected return to office for the full year, and lastly, the way work is being done is more hybrid than before both internally and with our partners, which has led to less travel costs than would have been expected.

8 Operating Expenses costs were over budget mostly due to unbudgeted insurance expense, excess software expense related to unbudgeted cyber security reimbursed to 501 Commons, unbudgeted bad debt expense, excess maintenance and support, and various smaller variances.

9 **WA Stem note:** In August we recorded scholarship expense related to acceptance of new scholars for BaS, CTS/RJI, and GRD. Overall expense was under budget thru Aug, primarily due to differences in CTS/RJI expenses compared to budget. The primary reason for this difference was, firstly, budgeted cost per student was higher than actual cost as our estimate during budgeting was based on data only through Fall of 2021. We updated the liability model based on Steve Walker's recommendations to more accurately reflect what we have been seeing in our actual data, as previously the model used data from Tennessee Promise and SBCTC data sources, we our finding that our students look a little bit different than the students in those data sources; this change led to reduction in future liability related to already selected cohorts. **501 Commons note:** The current over budgeted position results from a year-end adjustment to the scholarship model. GRD increased because of the addition of Cohort 3. BaS liability also increased as it reflected the impact of actual data on the accrual.

Notes For Variances

1 Related to the same issue on the balance sheet.

2 Corrections for recording Delta Dental were made subsequent to preparation of original financials.

3 \$180K of the variance was the result of including expenses belong to scholarship expenses; the rest is from a combination of including some operating expenses, additional P&L entries created when preparing for the audit, and coding corrections.

4 Inadvertently included expenses in this category belonging to operations.

5 Partially due to the same reason as note 3; additional expenses added after financials prepared.

6 The scholarship model had not been updated until after the financials had been prepared. See balance sheet explanation - note 9

Cash Flow Summary
Inception-To-Date
December 31, 2022

	As originally Reported				Inception - December 31, 2022				Comparison to October 31, 2022			
	Scholarship as Originally Stated	Endowment as Originally Stated	Variance	Variance Endowment	Notes	Scholarship	Endowment	Notes	Total	Scholarship Variance	Endowment Variance	Total Variance
<u>CASH FLOW</u>												
Cash Inflow:												
Boeing	30,200,000		50,000		1	30,250,000	-	1	30,250,000	-	-	-
Balmer	2,500,000		-			2,500,000		1	2,500,000			-
Microsoft	37,500,000		-			37,500,000		1	37,500,000			-
Other Private	45,553,731		(54,076)		2	45,499,655		1	45,499,655	546,243	-	546,243
State Match	109,846,365		(0)			109,846,365		2	109,846,365		-	-
State Implementation Funds	500,000		-			500,000			500,000		-	-
Investment Income*	21,792,347	6,713,161	(3,405,706)	(374,246)	3	18,386,641	6,338,915	3	24,725,556	2,537,955	197,858	2,735,813
Total Cash Inflows	247,892,443	6,713,161	(3,409,782)	(374,246)		244,482,661	6,338,915		250,821,576	3,084,198	197,858	3,282,056
Cash Outflow:												
Scholarships	(126,008,882)		(359,717)		4	(126,368,599)		4	(126,368,599)	(6,283,119)	-	(6,283,119)
Program Expenses	(29,503,101)	(5,812)	350,963		5	(29,152,138)	(5,812)		(29,157,950)	(633,826)	-	(633,826)
Total Cash Outflows	(155,511,983)	(5,812)	(8,754)			(155,520,737)	(5,812)		(155,526,549)	(6,916,945)	-	(6,916,945)
Net Cash Flow Inception-To-Date	92,380,460	6,707,349	(3,418,536)	(374,246)		88,961,924	6,333,103		95,295,027	(3,832,747)	197,858	(3,634,889)
<u>Composition of Net Cash Flow</u>												
Beneficial Bank Checking Account	1,195,807		(5,681)		6	1,190,126		5	1,190,126	(4,365,357)	-	(4,365,357)
Investment Accounts at WSIB	91,184,653	6,707,349	(3,412,855)	(374,246)	3	87,771,798	6,333,103	5	94,104,901	532,610	197,858	730,468
Total	92,380,460	6,707,349	(3,418,536)	(374,246)		88,961,924	6,333,103		95,295,027	(3,832,747)	197,858	(3,634,889)

* Includes unrealized gains and losses.

For Newly Stated Numbers

- Cash Inflow: Between Nov and Dec, WSOS received the grant from the City of Seattle (\$385K) and other private receipts of \$217K, which included \$100K from Bristol Myers Squibb, \$50K from Boeing, \$25K from Frontstream, \$10K from Diane Cecchetti and \$32K from small donors.
- State - In the period between Nov - Dec, WSOS received no receipts representing match on private receipts. The credit change is due to an overstatement of match receipts in October to include the small final match request made by WA STEM in August already included in the match total.
- Investment Income - Nov to Dec investment returns were made up of unrealized/realized gains of \$2.7M, interest & dividend income of \$66K and investment expense of \$8K
- Scholarship disbursements between Nov and Dec were \$6.49M (BaS \$4.56M, CTS/RJI \$1.82M, and GRD \$10.8K) and scholarship refunds totaled \$641K (\$159.5K Baccalaureate, \$481.6K CTS/RJI). GRD disbursements include ~\$10.8K related to travel and preceptor stipends.
- Assets are maintained in Beneficial State Bank to meet short term cash needs. Excess dollars are invested in WSIB investment accounts to generate returns.

For variance between originally reported and restated numbers

- There was \$50K from Boeing included in the final cash transfer from WA STEM and the correction was made after the original statements were created.
- I attempted to use the cash flow bridge when preparing the original financials and this caused the variance. I pulled the actual cash transactions from the reconciled GL and was able to see the cash inflows for the period more carefully.
- See Balance sheet note 2 and income statement note 3. Investment income is calculated by comparing the current WSIB report with the last period reported.
- Same reason as Note 2.
- The majority of the variance was caused by scholarship expenses being included in program expenses in the original statements.
- The original number included the accrued deposits for items in the 501 Commons bank account. I changed the presentation as it exists currently as the actual cash for these items will appear in a later period. Not material enough to change 2022 numbers in the middle of an audit.

**Washington State Opportunity Scholarship
Comparative Balance Sheets
Period Ending 12/31/2023**

	Comparison to Last Reported Period			As Previously reported			Comparison to Same Period LFY			
	9/30/23	% Change	12/31/23	Notes	12/31/22	Variance	Notes	12/31/22	% Change	12/31/23
Assets										
Cash	3,739,196	-42%	2,170,359	1	2,171,709	(1,350)	1	1,196,247	81%	2,170,359
Investments	87,885,392	7%	94,307,910	2	94,314,456	(6,546)	2	94,104,901	0%	94,307,910
Accounts Receivable	-	0%	-	3	-	-		183,200	0%	-
Pledges and Grants Receivable, net	19,215,440	29%	24,881,333	3	21,109,790	3,771,543	3	21,529,082	16%	24,881,333
State match receivable, net						-		-		
Unbilled State match revenue	10,870,248	-58%	4,590,980	4	8,397,157	(3,806,177)	3	5,795,246	-21%	4,590,980
Unbilled State match receivable, offset	(10,870,248)	-58%	(4,590,980)	4	(8,397,157)	3,806,177	3	(5,795,246)	-21%	(4,590,980)
Prepaid Expenses	85,863	-9%	78,400		118,220	(39,820)	4	55,285	42%	78,400
Property and equipment, net	15,659	43%	22,457		20,728	1,729	5	13,023	72%	22,457
Total Assets	110,941,550	9%	121,460,459		117,734,903	3,725,556		117,081,739	4%	121,460,459
Liabilities and Net Assets										
Accounts Payable	309,580	11%	344,782		369,649	(24,867)	6	234,565	47%	344,782
Payroll Related Liabilities	105,455	11%	117,425	5	112,742	4,683	7	58,243	102%	117,425
Scholarship Commitments Bacc., net	33,245,337	-27%	24,136,831	6	29,570,367	(5,433,536)	8	29,406,384	-18%	24,136,831
Scholarship Commitments CTS, net	2,294,093	291%	8,968,519	6	2,747,895	6,220,624	8	4,117,514	118%	8,968,519
Scholarship Commitments RJL, net	771,806	-66%	265,901	6	618,806	(352,905)	8	246,287	8%	265,901
Scholarship Commitments GRD, net	850,502	-36%	542,592	6	686,977	(144,385)	8	786,386	-31%	542,592
Total Liabilities	37,576,773	-9%	34,376,050		34,106,436	269,614		34,849,377	-1%	34,376,050
Net Assets										
Temporarily Restricted Net Assets	73,364,777	19%	87,084,409		83,628,467	3,455,942		82,232,361	6%	87,084,409
Permanently Restricted Net Assets	-	0%	-		-	-		-	0%	-
Total Net Assets	73,364,777	19%	87,084,409		83,628,467	3,455,942		82,232,361	6%	87,084,409
Total Liabilities and Net Assets	110,941,550	9%	121,460,459		117,734,903	3,725,556		117,081,739	4%	121,460,459

**Washington State Opportunity Scholarship
Income Statements
Actual vs. Budget
Twelve Months Ending December 31, 2023**

	Twelve Months Ending December 31, 2023				As Previously Reported			December 31, 2023
	Actual	Budget	Variance Fav (Unfav)	Notes	Actual	Variance	Notes	Annual Budget
Revenue								
Private	7,244,203	8,215,000	(970,797)	1	7,220,211	23,992	1	8,215,000
Public	8,959,670	9,200,000	(240,330)	2	5,155,992	3,803,678	2	9,200,000
Investment Dividends & Interest	247,350	36,000 *	211,350	3	245,634	1,716	3	36,000
Investment Unrealized/Realized Gains	10,032,418	1,590,000 *	8,442,418	3	4,832,020	5,200,398	3	1,590,000
Investment Fees	(35,076)	(52,896) *	17,820	3	(35,861)	785	3	(52,896)
Total Revenue	26,448,567	18,988,104	7,460,463		17,417,996	9,030,571		18,988,104
Program Expense								
Salaries and Benefits	3,425,821	3,800,393	374,572	4	3,421,553	4,268	4	3,800,393
Professional Fees - Program Admin fees	525,636	525,636	-	5	525,636	-		525,636
Professional Fees - Contractors & Lobbying	468,593	472,082	3,489	6	469,942	(1,349)	5	472,082
Conferences, Conventions & Meetings	160,236	152,761	(7,475)	7	127,843	32,393	6	152,761
Operating Expenses	320,175	378,578	58,403	8	287,787	32,388	7	378,578
	4,900,462	5,329,450	428,988		4,832,761	67,701		5,329,450
Income (Loss) before Scholarship Exp	21,548,105	13,658,654	7,889,451		12,585,235	8,962,870		13,658,654
Scholarship Expense	16,696,057	17,268,314	572,257	9	15,859,785	836,272	8	17,268,314
Net Income (Loss)	4,852,048	(3,609,660)	8,461,708		(3,274,550)	8,126,598		(3,609,660)

*Approved Budget did not include investment returns or fees, we have included them based upon a conservative estimate in the above. See Note 3 for more information.

Notes For Restated Numbers

1 New revenues between Oct and Dec totaled \$3.2M which included a \$3M pledge from Bradford Smith, \$125K from Costco, and \$80K from various other individual donations. There are known pledges of \$1.3M from Centene Foundation for which the final terms were not settled by 12/31 and \$600K from Connell that will be paid through a DAF. Both are expected in early 2024.

2 Revenue Public: The new appropriation occurred in June 2023. The last appropriation was exhausted but for the \$385K for Promise Scholars, which will be submitted as it is consumed. An invoice was sent to WSAC for the first amount consumed - \$80K. Of the new appropriated amount, \$8.9M has been invoiced with \$5.1M received.

3 Investment Returns: Actual YTD includes unrealized/realized gains of \$10M, interest & dividend income of \$247K and investment expense of \$35K. The approved budget included unrealized/realized gains, dividends & interest, and investment fees based on a conservative rate of return for equities and fixed income for each scholarship. Forecasting this difficult year for the markets was certainly unforeseen. Comfortable gains were realized through July, but huge losses in Aug through Oct reversed that trend. There was significant recovery in Nov and Dec creating an overall gain by 12/31.

4 Personnel expenses remain under budget by ~\$374K. Several positions remain vacant, and there have been major employee absences.

5 Program Admin Fee is on budget.

6 Professional Fees - Contractors & lobbying is under budget by an immaterial amount.

7 Conferences, Conventions, and Meetings costs are over budget, mostly due to actual expenses for the O-Talks venue being \$70K and the budgeted expense was \$50K.

8 Operating Expenses costs remain under budget. Office expenses are under budget by \$58K, partly because of the new hire work from home stipend not spent because of a lack of new hires; the cell phone reimbursement was budgeted here, but it is part of salaries and wages, so this expense line is only half of the budgeted amount. IT Expenses make up the remainder of the variance, mostly for software and cloud services. There were budgeted amounts of \$104K with actual expenses being \$62K. This is caused by hardware and software being budgeted at total cash expense, but recorded on the accrual basis. Software expenses are coded to prepaid expense and moved to expense every month during the period covered by the invoice and hardware is capitalized and depreciated over the useful life of the asset.

9 Scholarship Expense is booked when the scholarship model is updated. The additional expense was booked in September and again in December. The expense is under budget due to the scholarship calculations in the model realizing a lower number than budgeted.

Notes For Variances between Originally-Stated numbers and the Restated Numbers

1 This variance is the result of not all reconciliations being completed at the time the original financials were prepared.

2 When the original financials were prepared, the state match invoicing for Dec 2022 - May 2023 had not been completed, so the revenue number was unknown. They were subsequently invoiced with an invoice date of 12.31.23. The variance is the exact amount of these invoices.

3 The July WSIB report had total investment position understated by \$4.9M. The investment accounts were not reconciled at the time the original financials prepared, so this material misstatement in the WSIB report, an Excel document, wasn't discovered until these were revisited while preparing for the audit. All corrections were made.

4 Unum and Delta Dental are paid by 501 Commons and we then bill WSOS for its portion of the total bill. Some months were not timely billed and a reconciliation was prepared. These expenses were booked into the months of the expense.

5 This small variance is immaterial and just likely due to some miscoding that was corrected.

6 The variance between the original amount and the restated amount is primarily due to the credit cards not being reconciled at the time the original financials were prepared. They were reconciled and any missing expenses added to the appropriate month while preparing for the audit. Time constraints on staff.

7 This variance is caused for the same reason as note 6.

8 This variance is primarily caused by the scholarship model not being prepared at the time the original financials were compiled. An accrual was entered to offset any subsequent variance, but it was insufficient. The model was updated and the additional expense booked.

Cash Flow Summary

Inception-To-Date

December 31, 2023

	As originally Reported					Inception - December 31, 2023				Comparison to September 30, 2023		
	Scholarship as Originally Stated	Endowment as Originally Stated	Variance	Variance Endowment	Notes	Scholarship	Endowment	Notes	Total	Scholarship Variance	Endowment Variance	Total Variance
<i>CASH FLOW</i>												
Cash Inflow:												
Boeing	30,210,000		50,000		1	30,260,000			30,260,000	-	-	-
Ballmer	5,000,000		-			5,000,000			5,000,000	-	-	-
Microsoft	40,000,000		-			40,000,000		1	40,000,000	-	-	-
Rubens	2,020,235		(1,000,000)		2	1,020,235		1	1,020,235	-	-	-
Connell (stock donation)	700,000		-			700,000		1	700,000	-	-	-
Other Private	46,627,733		(223,489)		3	46,404,244		1	46,404,244	180,682	-	180,682
State Match	109,825,621		5,169,748		4	114,995,369		2	114,995,369	5,149,004	-	5,149,004
State Implementation Funds	500,000		-			500,000			500,000	-	-	-
Investment Income*	26,029,656	7,454,397	1,504,560	-	5	27,534,216	7,454,397	3	34,988,613	5,788,589	459,685	6,248,274
Total Cash Inflows	260,913,245	7,454,397	5,500,819			266,414,064	7,454,397		273,868,461	11,118,275	459,685	11,577,960
Cash Outflow:												
Scholarships	(143,294,350)		(417,776)		6	(143,712,126)	-	4	(143,712,126)	(5,956,112)	-	(5,956,112)
Program Expenses	(33,642,642)	(5,812)	(29,612)		7	(33,672,254)	(5,812)		(33,678,066)	(944,201)	-	(944,201)
Total Cash Outflows	(176,936,992)	(5,812)	(447,388)			(177,384,380)	(5,812)		(177,390,192)	(6,900,313)	-	(6,900,313)
Net Cash Flow Inception-To-Date	83,976,253	7,448,585	5,053,431			89,029,684	7,448,585		96,478,269	4,217,962	459,685	4,677,647
<i>Composition of Net Cash Flow</i>												
Beneficial Checking Account	2,170,359					2,170,359	-	5	2,170,359	(1,568,837)	-	(1,568,837)
Investment Accounts at WSIB	81,805,894	7,448,585	5,053,431		8	86,859,325	7,448,585	5	94,307,910	5,786,800	459,685	6,246,485
Total	83,976,253	7,448,585	5,053,431			89,029,684	7,448,585		96,478,269	4,217,962	459,685	4,677,647

* Includes unrealized gains and losses.

Notes For Newly Stated Numbers

- Cash Inflow: Between Oct and Dec, WSOS received private donations of \$125K from Costco, \$25K from Pahlisch Homes, and \$30.7K from small donors.
- State - In the period between October and December, WSOS received \$5.15M match on private receipts. The appropriation for 7.1.22 has been exhausted but for \$385K reserved for Promise Scholars and the new appropriation has been funded. Additional match requests for
- Investment Income - October to December investment returns were made up of unrealized/realized gains of \$6.2M, interest & dividend income of \$42K and investment expense of \$7.8K
- Scholarship disbursements between October and December were \$6.6M (BaS \$4.07M, CTS/RJI \$2.3M, and GRD \$197.3K) and scholarship refunds totaled \$750.3K (\$412.8K Baccalaureate, \$337.5K CTS/RJI). GRD disbursements include ~\$33.7K related to travel and preceptor
- Assets are maintained in a Beneficial Checking Account to meet short term cash needs, all excess dollars are invested in WSIB investment accounts to generate returns.

Notes For Variance Between Originally Reported and Restated Numbers

- There was a Boeing donation imbedded in the final cash receipts from WA STEM uncovered while preparing for the audit.
- Human error.
- Included scholarship refunds into private receipts while preparing the original financials.
- Variance primarily due to the late recording of the state match receipt that arrived in Dec.
- There was an error in the July WSIB report that was not investigated and corrected until after the financials had been prepared. The original earnings had been calculated using the incorrect n=numbers form that report.
- Partly related to note 2 above, but primarily due to bank statement not being reconciled and working with the numbers in MIP at the tome.
- Also related to the late reconciliation of the bank statement.
- Also related to the incorrect WSIB report in July.

Washington State Opportunity Scholarship

Income Statements

Actual vs. Budget

Six Months Ending June 30, 2024

	Six Months Ending June 30, 2024				As Previously Reported			December 31, 2024
	Actual	Budget	Variance Fav (Unfav)	Notes	Actual	Variance	Notes	Annual Budget
Revenue								
Private	2,389,739	1,450,000	939,739	1	2,400,389	(10,650)	1	8,115,000
Public	1,438,018	-	1,438,018	2	1,438,018			-
Investment Dividends & Interest	106,692	23,400	83,292	3	106,692			46,800
Investment Unrealized/Realized Gains	3,930,395	1,284,000	2,646,395	3	3,930,395			2,568,000
Investment Fees	(15,139)	(14,100)	(1,039)	3	(15,139)			(28,200)
Total Revenue	7,849,703	2,743,300	5,106,403		7,860,355	(10,650)		10,701,600
Program Expense								
Salaries and Benefits	1,794,377	1,992,028	197,650	4	1,788,935	5,442	2	3,977,671
Professional Fees - Program Admin fees	425,952	475,950	49,998	5	379,960	45,992	4	907,934
Professional Fees - Contractors & Lobbying	139,818	228,510	88,692	6	123,499	16,319	4	665,368
Conferences, Conventions & Meetings	127,094	179,110	52,016	7	127,819	(725)	5	207,910
Operating Expenses	169,735	235,221	65,486	8	135,086	34,649	6	486,962
	2,656,976	3,110,819	453,842		2,555,299	101,677		6,245,845
Income (Loss) before Scholarship Exp	5,192,727	(367,519)	5,560,246		5,305,056	(112,327)		4,455,755
Scholarship Expense	(22,576)	1,642,005	1,664,581	9	22,576	(45,152)	7	18,991,228
Net Income (Loss)	5,215,303	(2,009,524)	7,224,827		5,282,480	(67,176)		(14,535,473)

**Washington State Opportunity Scholarship
Comparative Balance Sheets
June 30, 2024**

	Comparison to Last Reported Period			As Previously reported			Comparison to Same Period LFY			
	3/31/24	% Change	6/30/24	Notes	6/30/24	Variance	Notes	6/30/23	% Change	6/30/24
Assets										
Cash	3,029,972	47%	4,466,651	1	4,467,987	(1,336)	1	2,930,080	52%	4,466,651
Investments	96,982,533	1%	98,323,065	2	98,323,065			94,440,805	4%	98,323,065
Accounts Receivable	111	0%	22,176	3	22,176	-		185,643	0%	22,176
Pledges and Grants Receivable, net	19,885,424	-8%	18,381,724	3	17,315,869	1,065,855	2	18,138,597	1%	18,381,724
State match receivable, net	-		242,199	4	242,199			-	0%	242,199
Unbilled State match revenue	1,524,134	639%	11,260,037	4	11,340,312	(80,275)	3	10,560,214	7%	11,260,037
Unbilled State match receivable, offset	(1,524,134)	639%	(11,260,037)	4	(11,340,312)	80,275	3	(10,560,214)	7%	(11,260,037)
Prepaid Expenses	118,840	-36%	76,009		76,068	(59)	4	49,528	53%	76,009
Property and equipment, net	20,201	-9%	18,323		18,625	(302)	5	22,170	-17%	18,323
Total Assets	120,037,081	1%	121,530,148		120,465,989	1,064,159		115,766,823	5%	121,530,148
Liabilities and Net Assets										
Accounts Payable	279,559	-45%	153,294		141,520	11,774	6	189,370	-19%	153,294
Payroll Related Liabilities	126,028	15%	144,363	5	150,454	(6,091)	7	125,754	15%	144,363
Scholarship Commitments Bacc., net	21,468,008	-3%	20,762,874	6	20,762,874			25,764,908	-19%	20,762,874
Scholarship Commitments CTS, net	9,126,644	-18%	7,507,190	6	7,507,058	132	8	1,402,200	435%	7,507,190
Scholarship Commitments RJJ, net	143,900	-24%	108,900	6	108,900			70,787	54%	108,900
Scholarship Commitments GRD, net	495,967	3%	509,687	6	509,687			659,441	-23%	509,687
Total Liabilities	31,640,106	-8%	29,186,308		29,180,493	5,815		28,212,460	3%	29,186,308
Net Assets										
Temporarily Restricted Net Assets	88,396,975	4%	92,299,710		91,285,496	1,014,214		87,554,363	5%	92,299,710
Permanently Restricted Net Assets	-	0%	-		-			-	0%	-
Total Net Assets	88,396,975	4%	92,299,710		91,285,496	1,014,214		87,554,363	5%	92,299,710
Total Liabilities and Net Assets	120,037,081	1%	121,486,018		120,465,989	1,020,029		115,766,823	5%	121,486,018
	(0)		44,130		-			-		44,130

Notes For Restated Numbers

- Increase in cash between April and July primarily due to the receipt of \$1.2M in state match dollars, the \$600K received from Connell and the Centene pledge payment of \$400K.
- Investment balance as of 6/30/2024 includes WSIB BaS Scholarship \$60M, WSIB CTS Scholarship \$29.4M, WSIB Endowment \$8M, and WSIB GRD Scholarship \$857K. During the period of Apr - Jun net investment gains across all accounts totaled ~\$1.3M.
- Balance is primarily made up of inter-fund receivable, items owed to WSOS from 501 Commons, such as two donations from Seattle Foundation and several Benevity donations. Most funds were transferred in July and any remaining will transfer before the final cash transfer to the bank balance to WSOS in October.
- Invoicing for cash receipts for Jul - Aug 2023. WSAC paid these invoices in July 2024. \$7.7M in additional receipts for the period Sep 2023 - June 2024 were invoiced in July and Aug.
- The payroll liabilities balance is primarily made up of accrued PTO (\$105.4K). Other payroll liabilities include L&I payable and 401K payable.
- Scholarship liabilities have a net decrease due to having only a CTS adjustment of \$2.5M in the first quarter that adjusted downward in April when the scholarship model was updated. The GRD obligation also had an adjustment to the scholarship model, which BaS and RJJ did not. BaS and RJJ will be adjusted in August in preparation for the transfer.

Notes For Variances

- June bank reconciliation wasn't completed before preparing original statements, so a few items had not been entered in MIP yet.
- Variance primarily due to the calculation of the discount on long-term pledges. There was a formula error in the workbook when preparing the original calculation. I revisited it as part of the review for the audit, found the error and recalculated the accretion.

- 3 The variance is due to including the single invoice that nets to this variance in the calculation for the unbilled entry twice. I corrected it.
- 4 Immaterial.
- 5 I reviewed depreciation for the audit and made an update to the GL.
- 6 At the time the original financials were prepared, the June credit card had not been reconciled and the expense entered. It subsequently was reconciled and the payable increased as a result.
- 7 Cannot provide an answer for the variance as there are several accounts that make up this number and nothing stands out as being the cause for the variance.
- 8 Immaterial.

Inception-To-Date
June 30, 2024

	As originally Reported					Inception - June 30, 2024			
	Scholarship as Originally Stated	Endowment as Originally Stated	Variance	Variance Endowment	Notes	Scholarship	Endowment	Notes	Total
<u>CASH FLOW</u>									
Cash Inflow:									
Boeing	30,210,000		50,000		1	30,260,000			30,260,000
Ballmer	5,000,000		-			5,000,000			5,000,000
Microsoft	42,500,000		-			42,500,000		1	42,500,000
Rubens	3,035,904		(1,000,000)		2	2,035,904		1	2,035,904
Connell (stock donation)	1,300,000		407		3	1,300,407		1	1,300,407
Centene			500,000		4	500,000		1	500,000
Other Private	47,411,280		(519,239)		5	46,892,041		1	46,892,041
State Match	119,981,140		(3,789,952)		6	116,191,188		2	116,191,188
State Implementation Funds	500,000		-			500,000			500,000
Investment Income*	24,549,116	8,065,529	10,204,629	(999)	7	34,753,745	8,064,530	3	42,818,276
Total Cash Inflows	274,487,440	8,065,529	5,445,844			279,933,284	8,064,530		287,997,815
Cash Outflow:									
Scholarships	(142,577,060)		(6,132,568)		8	(148,709,628)		4	(148,709,628)
Program Expenses	(37,179,381)	(5,812)	686,723		9	(36,492,658)	(5,812)		(36,498,470)
Total Cash Outflows	(179,756,441)	(5,812)	(5,445,845)			(185,202,286)	(5,812)		(185,208,098)
Net Cash Flow Inception-To-Date	94,730,999	8,059,717	(0)			94,730,999	8,058,718		102,789,717
<u>Composition of Net Cash Flow</u>									
Beneficial Checking Account	4,466,651		(0)			4,466,651	-	5	4,466,651
Investment Accounts at WSIB	90,264,348	8,058,717	0			90,264,348	8,058,718	5	98,323,066
Total	94,730,999	8,058,717	0			94,730,999	8,058,718		102,789,717

* Includes unrealized gains and losses.

FINANCE & INVESTMENT COMMITTEE MEETING AGENDA DECEMBER 4, 2024 REMOTE

To join virtually: Click on the Microsoft Teams link in meeting invitation or dial in #: +1 332-249-0607 Phone Conf. ID: 227 588 169#

I.	Meeting Called to Order		Patrick Smith Board Member Committee Chair	1:00-1:00p
II.	Approval of Minutes from September 5 and October 24 Meetings	[Tab A]	Patrick Smith Board Member Committee Chair	1:00-1:05p
III.	WSIB Quarterly Performance Report	[Tab B]	James Aber WSIB	1:05-1:25p
IV.	Program Administrator Report » <i>Committee Action:</i> Approve updating short-term investment policy	[Tab C]	Garry Hoffmann Finance Director WSOSF	1:25-1:45p
V.	Program Update » <i>Committee Action:</i> Recommend approval of the Board Resolution for Program Expense Ratio Range » <i>Committee Action:</i> Recommend approval of the Jan-June 2025 budget proposal » <i>Committee Action:</i> Approve moving review of the cohort model to Q1 2025 meeting	[Tab D]	Johnathan Luster Interim Exec. Director WSOS	1:45-2:15p
VI.	Executive Session		Patrick Smith Board Member Committee Chair	2:15-2:30p
VII.	Meeting Adjourned		Patrick Smith Board Member Committee Chair	2:30p

Committee Questions for Consideration:

- 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 or Board to know?
- What concerns do you anticipate the Board having about the Jan-June 2025 budget proposal?

Upcoming Committee Meetings

2025 WSOS Board meetings are being scheduled; we'll follow up soon with upcoming F&I Committee meeting dates

Tab A

Approval of Minutes

9/05/2024 Meeting Minutes

10/24/2024 Special Meeting Minutes

WASHINGTON STATE
OPPORTUNITY
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FINANCE & INVESTMENT COMMITTEE MEETING MINUTES |
THURSDAY, SEPTEMBER 5, 2024, 1 P.M.-2:30 P.M.

Members present via Microsoft Teams: Patrick Smith, Bo Lee, Elisa La Cava, Jess Peet, Matt Rubright, Brad Faulhaber, Joseph Walker, Matt Wang

Members not present:

Other Attendees on Teams: James Aber, Kimber Connors, Johnathan Luster, Dena Parmer, Eileen Moran, Chris Hanak, Aileen Liu, Maddie Marvin, Nancy Long, Giuliana Franco

Meeting Called to Order

Patrick Smith called the meeting of the Washington State Opportunity Scholarship (WSOS) Finance and Investment Committee to order at 1:00 p.m.

Approval of Minutes from June 12, 2024, Finance and Investment Committee

Committee Action: Elisa La Cava moved to approve the minutes of the June 12, 2024 meeting. Brad Faulhaber seconded the motion, and it was carried unanimously.

WSIB Quarterly Performance Report

James Aber, Washington State Investment Board's (WSIB) Director of Institutional Relations and Public Affairs, delivered the quarterly investment performance report and the market environment. All data is as of June 30, 2024.

Aber said equity markets rallied, and bond markets were mostly flat during the quarter as expectations for rate cuts faded on the back of strong economic data. The Baccalaureate Scholarship (BaS) and Career & Technical Scholarship (CTS) funds both returned 1.3% for the quarter and 9.5% and 9.8% for the 12 months ending June 30. Aber said the endowment fund (80% equities, 20% fixed income) saw returns of 2.5% for the quarter and 16.3% for the 12 months. Aber said WSIB completed two transactions in Q2, which was a reallocation of just under \$22k from equities to fixed-income fund in the Graduate Degree (GRD) Scholarship account and \$1.2M from equities to fixed income in the CTS fund to keep those asset classes within their target ranges. Aber said developed market equities posted stronger returns. He said inflation ticked down slightly in the US, and the US Federal Reserve remained on hold, but there are potential rate cuts in September. Aber said their target rate remained unchanged during Q2 and yields on the 10-year Treasury are up 6% year-over-year.

Joseph Walker asked why we have the Barclays Intermediate Credit Index as the fixed-income benchmark and how it compares in terms of diversification against equities and other fixed-income assets. Chris Hanak said the daily bond fund is a fund that is used for implementing fixed-income strategies. He said it is a credit-based fund that they have found to be an appropriate index and strategy for building out the portfolio's fixed-income portion. He said that they use Bloomberg US Universal, which is a little bit broader, for their larger pension fund. Aileen Liu said the internally managed WSIB bond fund that they utilize as a fixed income strategy for some stakeholders has similar risk and return characteristics. She said that what is used for CTS has lower volatility, because the duration of how long we expect to hold the funds is shorter. Hanak asked if there was a particular point that Walker wanted to know more about. Walker said he was curious about how we landed there and asked if they had other internally managed funds that would be alternatives to intermediate credit. Hanak said WSIB has used

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

this benchmark for WSOS for quite a while, and the duration is shorter than the US aggregate or US universal, which means that we are taking less duration risk over time. Hanak said it will probably respond better to interest rate changes, but the returns on the two indexes have not changed dramatically over time.

Walker asked if we have run alternatives alongside the equity allocations to see what provides a better risk-return. Hanak said they make their capital market assumptions every two years. He said that recently, they added intermediate credit as a separate capital market assumption. Liu said the updated capital market assumptions completed in 2023 showed the volatility for the intermediate credit fund is slightly lower at a 5.7% standard deviation compared to the core fixed income, which is 6%. Liu said the fixed income core geometric return is 4.4%, and on the intermediate credit, it's 4.3%. Walker said it makes sense for income as a stand-alone. He said he is interested in WSIB's correlation matrix and how it combines with other portfolio assets.

Walker also said the performance has been really good and asked what they attribute it to. Liu said the strategy the fixed-income team follows is consistent with the core fixed income in terms of the overweight to credit; there is a non-US exposure to this strategy. Aber said the fixed-income portfolio is managed in-house by very experienced WSIB staff, and there are no external managers as they have with some of the other asset classes.

Walker asked how the portfolio's spread compares to the benchmark, if the driver is credit overweight, and how it is quantified. Hanak said the spread comparison depends on what they own at a particular time. Liu said they can run it on Bloomberg and give a snapshot as of the month's end. Walker said he would like an average option-adjusted spread (OAS) compared to the benchmark.

Bo Lee said WSIB has provided more details on performance and allocation in the past. She asked if they normally do those once a year or if it is done on a quarterly basis. Aber said the pre-read materials have a full presentation with the performance in equities, fixed income, and various accounts versus benchmarks but that they pared down the slides at the request of the Committee to allow more time for discussion. Aber said they do capital market assumptions every two years and the strategic asset allocations every four years. Liu said WSOS' strategic asset allocation was done in 2022, and the next one will be done in 2026. Aber said that when they do the strategic asset allocation, they will dig deeper into why they have allocated what they did to both the equities and fixed income, along with any changes they make. He said they are looking fifteen years out on capital market assumptions, so the changes are usually at the margins. Aber said they also get input from WSOS regarding liabilities and needs of target returns. He said if there are big market events, they will reassess the need to do capital markets or strategic asset allocation off-cycle.

Lee asked if the state match had to be in cash. Hanak said state funds can't be invested in equities without a constitutional amendment, which is the driving factor in how they invest the state and private funds and is why the two are separated. He said that since the state funds are invested in cash equivalents, the process has been to spend those down first and keep the private assets fully invested.

Lee asked why there is a difference in the allocation to the actual benchmark, but the performance is close to the actual benchmark for the different funds. Hanak said we are seeing snapshots of time in terms of allocation, and the allocation will drift based on the fixed income and equity fund performance levels. He explained that WSIB does not continuously rebalance to avoid associated transactional costs but instead stays within approved ranges.

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Walker said he appreciated the new charts WSIB added for each fund. He asked if the endowment has been rebalanced since it is close to the edges of the approved ranges. Liu said they watch it daily but try not to trade if it isn't necessary. She said we are well within the guidelines of + 5% from the policy target as we are at 3%. She said they have allowed the public equity to run a bit more overweight, and it's only 2.85% overweight as of yesterday. Hanak said this is for daily monitoring purposes. He said the fixed income for the endowments on the private side is 17.4%, public equity is 8.826%, and cash is 0.

Walker asked what triggers would be used for a rebalance. Hanak said WSIB has some discretion, but if we are getting right up to the edge of the approved range, they notify WSOS then rebalance. Alternatively, they use cash flows to rebalance because it's a cheaper way of implementing the rebalance. Hanak stated they try to minimize transactions to avoid costs. Walker said he appreciates the avoidance of transaction costs. Hanak said the funds are quite economical to manage because the fixed income is handled internally, so WSOS is not paying a fee to an external manager. He said the passive equity fees are very, very low because they have scale relationships with the external managers that let them implement the programs cost-effectively.

Lee asked about the average client size that WSIB works with. Hanak said the total assets under management are around \$208B. He said the majority is what they call a commingled trust fund of seventeen different defined benefit pension plans, which is around \$168B. Hanak said the next largest one would be labor and industries, which is the workers' compensation program that is in excess of \$20B. Aber said they recently took on WA Cares LTSS is the long-term insurance that is funded by payroll taxes and, in just under a year, has grown to over \$1B, but the vast majority is the commingled trust fund with all of the pension and retirement accounts combined. Aber said he can send the F&I Committee their overviews and quarterly reports that break down all the assets they manage. Lee said it would be helpful to see those for all members, but especially for the F&I members who recently joined. Aber said the second quarter report will be published following their next board meeting later this month, and he would wait until that is published to send it to the F&I committee members.

Program Administrator Report

Eileen Moran, Finance Director for 501 Commons, said she is working with the auditors on the 2022 audit, and they have been looking at certain accounts and errors in MIP. Moran said that while the P&L presented in the pre-read is accurate, the balance sheet is not. This is due to the need to restate financials dating back to December 2022. Moran said she would send the restated decks and the balance sheet workbooks for each quarter.

Smith asked if he had heard correctly that the restatement of the balance sheets goes back all the way to December 2022. Moran said she found something while going through the audit that changed the December 2022 balance sheet enough that it will need to be restated, and those changes will carry through to today's presentation. Moran said it was a duplicated account payable that was a material amount. Moran said there will be an explanation for all of the changes she makes.

Walker asked Moran to create a single document that crosswalks each period in terms of what was originally stated, what the restated number is, and an explanation of the reason for the change so that the changes can be easily understood. La Cava said that depending on the materiality of the restatements, the F&I Committee may need to hold a special session. Jess Peet agreed that the committee likely needs to carve out extra time to thoroughly review the

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documentation and understand the changes. Moran said she would provide WSOS with updated presentations, balance sheets, and P&Ls for each affected quarter by September 23.

Johnathan Luster, interim executive director, restated that Moran would provide restatement financials with a clear comparison to what was originally reported and an explanation of changes. Smith asked Moran to confirm when these materials would be provided to WSOS and affirmed it would be sent no later than September 23. Smith said he would work with the Committee to get an additional meeting on the calendar after September 23.

Moran said the increase in cash from March – July was due to some state match dollars, the Connell contribution of \$600k and a pledge payment from Centene of \$400k. She said the investment balance as of June 30, includes \$60M for BaS, \$29.4M for CTS, \$8M for the endowment, and \$857k for GRD. She said the net investment gains were \$1.3M due to a sudden and large downturn that came back up again. Moran said accounts receivable are made up of Benevity funds that 501 Commons received that needed to be transferred to WSOS. She said they had a short period of time where they could not get the Benevity reports, and she is catching up. Moran said they will be reflected in the July and August financials when she sends them to WSOS. Moran said the pledges receivable balance is made up of the balances left from the Microsoft pledge of \$7.5M, \$8M from Gary Rubens, \$3M from Bradford Smith, and \$1.3M from Coordinated Health Care. She said she would bill the remaining private receipts through the end of the contract. Moran said the payroll liabilities balance is primarily made up of the accrued PTO. She noted the scholarship liability adjustments were due to the fact she did not have time to update the scholarship model in March, so she accrued the budgeted amount of \$2.5M. Moran said that when she updated the scholarship model in April, it resulted in an adjustment down.

Smith asked how confident the committee should be that the numbers presented given the restatements that are forthcoming. Moran said they are more accurate than not, but she could not say they are 100% accurate. She said the accounts payable and receivable, fixed assets, and investments are done, so there should be no changes to any of that. Moran said material changes are unlikely. She said she is pretty confident in the numbers at this point. Smith told Moran that the notes are critical to understanding the numbers, and the balance sheet numbers, and the notes do not line up. Moran said the notes were based on the June 30 balance sheet and what activity had happened since then. Smith said some of the notes do not reconcile with the numbers. Smith said that he added up pledges and grants receivable and got \$18.3M, but the balance sheet says \$17.3M. Moran was unsure about what numbers she missed to make up that \$1M difference between the notes and the balance sheet. Smith reviewed the numbers in the notes. Moran said she thinks she missed the \$1M payment from Gary Rubens. Moran said she was up for two days working on this deck and apologized if there were little errors in this report.

Smith asked to move on to a quick income statement review since it appeared the presented balance sheet was still inaccurate and would be restated anyway. Peet agreed the best use of time would be to focus on the income statement and await the restated balance sheet. Smith asked Kimber Connors if it was okay to skip the income statement review and move on with the agenda. Connors said the record should reflect that the Committee is expecting restated financial statements that show what was originally reported, what the restated numbers are, and clear notes explaining any changes. She said it is fine to hold any further discussion until we get the corrections. Luster agreed.

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Program Update

Connors said that she would give the program update this last time as she moves out of the program's executive director role. She said that Luster, who has been with WSOS for about three years, is stepping in as the interim executive director as we are searching for our permanent replacement.

Connors said we discussed at our last meeting that our charter instructs that the committee needs no less than seven members, including one member from the Board and one from WSOS Foundation's Board. She thanked the committee for voting Matt Wang in as a new member last meeting and asked Wang to introduce himself. Wang said he was a principal at the Boston Consulting Group and at another firm where he did some investment allocation work for non-profits. Wang said he grew up in Washington and is excited for this meaningful way to give back. Connors said Wang now works with Julie Sandler at Pioneer Square Labs who referred him for the opportunity. She said we have one more candidate who was introduced by Peet. Peet said she worked with Kendra Mathias at Amazon when Mathias was a finance manager in the Alexa group. She said Mathias helped her with long-range planning around life cycle profitability. Peet said she believes Mathias will bring better balance to the skills on the committee. Mathias has finance and budgeting whereas our current membership has strong investment experience. She said that Mathias sat at her table for Opportunity Talks this year and is excited to support the mission. Smith said he met Mathias and said she would be an excellent addition to the Committee.

Committee Action: Peet made a motion to recommend Kendra Mathias for the F&I Committee to the WSOS Board. The motion was seconded by La Cava, and it was carried unanimously.

Connors gave an update on the executive director's search, informing the committee that there was no offer to either of the final two candidates. She said that the Board delegated authority to Connors to appoint an interim, and she is grateful that Luster agreed to step in. Connors said the Board approved her to stay full-time through the end of December to support Luster. Connors said the Board gave the directive to the executive director search committee to reconvene and recommend a path forward. She said the search committee met and are recommending we engage with a search firm that has more of a corporate background and out-of-state scope. She said the proposed timeline is that the Board vote on the plan at the September 11 meeting and we engage one of the firms by late September. Connors said they are targeting early 2025 for the start date of the new, permanent executive director.

Lee asked what the Committee could do to support the process and how it might be adapted to lead to a different outcome. Smith said if any committee member has someone in mind, they should pass their information to Smith or Connors. Smith said if we do the same thing, we will have the same results. He said it was disappointing to go through the process with 180 candidates at the top of the funnel and end up with nothing.

Connors said the hiring market is challenging, and WSOS is unique. She said we need someone who can work in the nonpartisan political space with members of both parties, work well with powerful corporate leaders, and be a compelling storyteller and a charismatic fundraiser. Connors said we also need someone who will be a great internal leader who is respected by staff and keeps the strategy on track. Peet thanked Connors for her commitment to the program and her willingness to continue full-time to ensure a successful transition.

Connors said that with the move to the Foundation, many things have been happening behind the scenes. She said we launched our human resource information system (HRIS) in Bamboo,

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have finalized a handbook, and have all our employee benefits secured. Connors said on the IT side, we have done a lot of work enhancing security measures and including the new requirements in our staff handbook. Connors said we are going to roll out a VPN, which we have never had before. Connors said we engaged Executech for our IT support, and the transition has been smooth so far. She said we submitted an extension for the first 990 for the Foundation to May 15 of next year rather than November 15 so we can ensure we have confidence in our opening balance sheet. Connors said we registered as a business, so all our insurance is secured and meets the program administrator contracts. She said we have paused the Clark Nuber audit until the 501 auditors completed their work. Connors said, our focus is building confidence in an opening balance sheet. She said we have JP Morgan Chase set up as our bank, and we are working with the brokerage, thanks to Peet for signing many forms and documents. Connors said that corporate cards are delayed because the Foundation is not able to apply for credit cards until we have audited financial statements for 2022 and 2023 for the program.

Smith requested that they go into an executive session from 2:20 p.m. until 2:30 p.m. The meeting reopened at 2:31 p.m. and was adjourned at 2:32 p.m.

Respectfully submitted,

Dena Parmer

DRAFT

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FINANCE & INVESTMENT COMMITTEE SPECIAL MEETING MINUTES
| OCTOBER 24, 2024, | 1:00PM TO 2:00PM

Members present via Microsoft Teams: Patrick Smith, Bo Lee, Elisa La Cava, Matt Rubright, Joseph Walker, Matt Wang, Kendra Mathias, Brad Faulhaber

Members not present:

Jess Peet

Other Attendees on Teams: James Aber, Kimber Connors, Johnathan Luster, Eileen Moran, Aileen Liu, Nancy Long, Gao Li, Grace Park

Meeting called to Order

Patrick Smith called the meeting of the Washington State Opportunity Scholarship (WSOS) Finance and Investment (F&I) Committee to order at 1:01 p.m.

Smith welcomed and introduced the new WSOS team member, Grace Park. Smith said Park is the new executive assistant, whom many F&I committee members will be interfacing with moving forward.

Smith stated that this was a special session to discuss the restated financial statements from 501 Commons starting back in December 2022. Smith referred to Johnathan Luster before turning over the meeting to 501 Commons to present. Luster said the F&I group is aware of the challenges with the restated financial statements, and he requested to focus on the variances and any changes from the statements before and after due to the time constraints of this meeting. Luster turned over the presentation to 501 Commons.

Restated Financial Statements

Nancy Long, the executive director, and Eileen Moran, financial director of 501 Commons, delivered and presented the restated WSOS financial reports. Long said she would give an overview of the presentation stating the first couple of slides would talk about the reports and give contextual background on why some of this rework was necessary. She said Moran would go through the variances and then take questions from the Committee members.

Long said the reports were to help WSOS have confidence in the restatements, and ability to make better comparability (referring to the importance of having comparable data for future reference), and that reports were not a contractual requirement. She said the restatements are for the calendar years 2022, 2023, quarter 2 of 2024, and the following months until the transition to the Foundation will be coming. Long said her team extensively reviewed every aspect of the two years of financial records and accounting activities between the two companies, WSOS and 501 Commons.

She said further assurance would be given when the 2022 audit is finished. She said the audit for 2022 is substantially finished and they are working through all the audit requirements. She

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said the auditors have done some reviews of 2023 data, and they are on schedule for January for the 2023 audit. She said the auditors have not identified any problems with the data provided nor asked that 501 Commons make any adjustment, and the auditors have confirmed net asset roll forward balances. She said auditors may still find an error or disagree with our approach, but WSOS will have the information when they receive the internal audit report. Long asked if there were any questions on these points. Smith stated that there were none raised.

Long summarized the cause of the variances in the financial statements. She said the major source of the variance was the scholarship model, which was only updated once or twice a year. She said the accruals were estimates and there was variance as Moran closed 2022 and those accruals were not matching reality. She said another mistake was an incorrect Washington State Investment Board (WSIB) total was entered in an Excel document, and there were times when data was not available when original reports were prepared like chargebacks. She said there were also delayed reconciliations, especially pledge receivables due to falling behind with staff turnover and difficulties with these reconciliations taking an extended amount of time.

Long stated the overall changes in total assets in the restated reports. She said in 2022, the changes went down by 3.2%, went up by 3.1% in 2023, and for Q2 2024 up by 1.1%. Long asked if there were any questions. Kendra Mathias stated it was her first meeting as an F&I Committee member and asked a question for clarification purposes about the statement that the scholarship model was a major source of variance. Mathias said typically accruals do not match up because we are accruing, and she asked whether there was a true-up period quarterly or whether a true-up period was only done when the scholarship model was updated. Moran asked to interject with some clarification. She said at the time when the financials were being prepared, the scholarship model was not updated, there was insufficient training by WA STEM and time constraints. Moran stated she looked at what historical info she had, and what the accruals were without the scholarship model, then went back and updated the scholarship model after the fact. She said that is where the large variances came from. Long stated that she was not sure if that answered Mathias's questions about the true up-to-date expenditures.

Moran said the scholarship model is an estimation based on cohort activity and disbursements, and those are factored in on journal entries as placeholders on the general ledger (GL), and the accrual was considered when she went back and did the scholarship model update. She said this did not consider the large disbursements and the timing of these disbursements. Mathias thanked Moran for her explanation and followed up with the question of when the auditors go through, whether they will make a recommendation for this process, and do we have something in place to make sure that does not happen again. Moran answered that the auditor has seen the scholarship model, they cannot test it, but they can only review the methodology of the process for reasonableness. Moran said she thinks the auditors will come to the same conclusion as Clark Nuber that it is reasonable.

Kimber Connors in the message chat, referenced her experience as a former executive director (ED) and highlighted the hours of recorded training provided by WA STEM on the scholarship model. She noted that this model has been successfully used to train the new finance team and additionally, the WSOS team has consistently updated the scholarship model quarterly and believed the finance team was doing the same, as had been the practice in the past.

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Long stated that the statement does not align with 501 Commons understanding. Moran said it does not align with the financials that WA STEM sent over to her for 2022. She said she only got 2022 financials and WA STEM did not send anything of the prior period to know if it was updated quarterly. Moran stated she received the Profit & Loss (P&L) statements by month and there were no quarterly updates to that model. She stated because it was done in the paperwork for 2022, she did not update quarterly due to time constraints.

Moran noted that she managed only 10 hours of sleep over four days due to the intense work schedule working on these statements. She said her struggles over the past two years have not been due to a lack of effort or commitment but rather the extreme demands of her workload and she reflected on her experience of working long hours, including pulling all-nighters and logging long hours. Long said that they have been consistently over their budgeted expenses for the accounting function, operating more than one full-time equivalent (FTE) above what was planned. She said that while they have experience handling finances for numerous small nonprofits, the complexity of their current situation was much greater than they had anticipated.

Smith said plenty of time was spent on the causes of their current situation and emphasized the need to focus on understanding the variances if there are any open loops left and the importance of gaining confidence in the financial numbers as they move forward. Smith said he advocates using the remaining time in the meeting to address these critical points.

Moran agreed and suggested transitioning to the financial details. Moran said that the auditors had some difficulties with the net asset roll forward during the transition from QuickBooks to MIP. She said she did the net asset rollover. She said that they are nearing completion of the 2022 audit and have gotten the green light so far. Moran stated there were a few minor issues and more significantly a \$40,000 discrepancy in payables but overall expressed confidence that they can finalize the audit successfully.

Moran stated that she would focus specifically on mentioning a large variance in investments that she admitted she does not fully understand. Moran said she acknowledges she could not recreate the error but suspects it relates to how investment earnings or losses are booked by comparing the current month's WSIB report to the prior months. She explained that to determine the current month's earnings, one must subtract the previous month's investment report from the current month's report. Moran said it was a human error that occurred during this process, which has since been corrected. She said the balance sheet figures now align with the WSIB report, a third-party report, reinforcing the integrity of the financial data. Moran said when the financials were being turned over from WA STEM, \$80,000 receivable from August 2022 could not be billed to the Washington Student Achievement Council (WSAC) due to the appropriation being exhausted. Moran said after reviewing the figures, she decided it should include what was unbilled through December 2022. Moran said she created a "cheat sheet" to track invoices and unbilled amounts, ensuring that receivables were accurately reflected. She also said the other variances in the asset section are minor and arise from small corrections she identified while preparing for the audit. Moran said the scholarship model, we talked about the variance exists from not having prepared the model before doing the financial reporting and then going back to correct the liability accounts that it is based on. Moran said that a \$50,000 variance in accounts payable is primarily due to a \$40,000 item discovered during the audit preparation. She said the

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issue arose because Washington State University (WSU) did not send cash checks for disbursements, as they preferred ACH payments but had not provided their banking information. She said the system used for invoicing and payments (Bill.com), if a check is not cashed within 90 days (about 3 months), it is automatically voided, and the money is returned to the account. Moran said the previous staff accountant deleted those checks in QuickBooks, instead of voiding them and the error created a discrepancy in the financial records, which she discovered in 2023. She said although the payments were later made via ACH, the liability remained unaddressed until she corrected it during the audit preparation.

Moran said for the December 2022 balance sheet, the overall change in the balance sheet totals a reduction of \$3,000, from an original figure of \$120,000 to a corrected amount of \$117,000. Moran transitioned to the income statement, stating that the investment discrepancies are due to the same reasons discussed for the balance sheet. Moran then moved to the expenses, she focused on a \$344,00 variance in the contractor and lobbying category, which was partially offset by a \$158,000 variance in operating expenses. She said this was a manual process, and while reviewing the P&L statement, she inadvertently included some operating expenses in the professional fees category, which inflated the original numbers. She said \$180,000 of the variance is attributed to expenses that belonged to scholarship expenses and the remainder of the variance comes from various corrections and additional entries made during the audit preparation.

Moran said the largest variance in their financials is linked to investment income, noting that this variance is present in both the accrual-based income statement and the cash flow summary. Moran said she had challenges in adopting an existing cash flow bridge created by someone else, finding it difficult to understand the original logic. She said she decided to rely on actual bank statements instead, categorizing transactions directly into the cash flow statement, and then aligning these transactions with the balance sheet, she felt more confident in the accuracy of the numbers. Moran said Garry Hoffman has the necessary documentation and that if anyone needs to review it, there will be an attachment with a tab for each month that includes the work papers detailing the cash flow, as well as the income statement.

Smith said if there were no further questions then to move to 2023 restated financials, noting the time left in the meeting. Moran directed the 2023 Balance sheet. She said that the unbilled state match and the pledges receivable are related to variances on the balance sheet. She said the previously reported unbilled state match revenue was invoiced to WSAC with a date of 12/31 and had not been accounted for before. She said the numbers of \$33.7 million and \$3.8 million are linked, with the scholarship model not being completed in time affecting the accrual presentation as well. She stated that these issues stem from similar reasons related to time constraints and insufficient earlier reporting.

Luster commented in the meeting chat, that the information we are reviewing today was part of the program administrator's contract. He said the contractual requirements include producing accurate financial reports, so it is important that the record reflects that these restated financials are part of the contractual obligation.

Moran said the income statement variances were due to her time constraints on the state match invoicing for the initial period and now she did the invoicing and is caught up in the books. She

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said she was able to check for accuracy by looking at the exact dollar amount of the invoices and revenue when the invoice was created. Moran said a discrepancy arose because of the WSIB report for July. She stated the WSIB is in the fiscal year and 501 Commons is in the calendar year. She said the July WSIB report rolled up the June 30 balance. She said the initial report matched the June balance from last year and this error created variance. She said the report confused the financial preparation. Moran said after review, she discovered the mistake in WSIB report but not in time for the financial presentation. Moran said the \$30,000 variance was due to credit card reconciliations not being done on time for the original presentation.

Moran moved on to 2023 Cash flow statements. Moran said she identified a \$50,000 variance when WA STEM sent for their final cash reconciliation. She said it was related to an entry from Boeing that she initially missed. Moran said she attributed some discrepancy to human error, like the Rubens dollars, which came in two installments totaling \$1 million. She mistakenly recorded it as \$2 million, likely due to fatigue during the review process. Moran explains that various discrepancies stem from timing issues and late reconciliations. She said some refunds were incorrectly recorded in donations instead of the scholarship accounts, the state match issues arose from not creating invoices in time, and the \$29,000 variance in program expenses is linked to delays in bank statement reconciliations, which help identify unentered items in the system.

Moran moved to June 2024 restated financial cash flow summary. She said the bottom line did not change; it was still \$94 million. She stated the discrepancies were due to being misallocated into the wrong buckets and categories. Moran stated the \$50,000 variance related to Boeing arose because she discovered the entry late, after reviewing communications from WA STEM. She said she did not receive a typical notification about the funds, prompting her to investigate further and find the discrepancy. She said the Rubens issue similarly stemmed from restatements made after June's financials were prepared, causing it to carry over as a variance. Moran said the variances are primarily in the investment income on both sides, pointing out that the Centene entry is new and contributes to these discrepancies. She explained that this situation continues from a significant error that occurred with the WSIB report in July 2023. Moran emphasized the ongoing challenge of finding time to thoroughly review all financial details and ensure accuracy.

Moran moved onto the balance sheet for June 2024. She said there was a relatively small change of about 1% from the originally reported assets, which showed a variance of \$120,000. She said the biggest variance relates to pledges receivable, which stemmed from an accretion calculation error. She said when copying over data for the year-end calculation, a formula mistake was introduced, resulting in an unreasonable number that she initially overlooked. She said despite seeking the auditor's review, they were unable to assist at that time. Moran said she went back and identified and corrected the error in the accretion (discount on pledge receivables) calculations.

Moran said the \$80,000 difference in the financials is attributed to a single invoice related to the City of Seattle grant, where matching funds must be billed as they are consumed rather than when received. She said she initially included this amount in the total but later realized the duplication and corrected it. Moran pointed out the \$11,000 variance in accounts payable, which is linked to the credit card transactions. She said the accounts payable total encompasses

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regular payables and credit card charges, alongside a subsidiary account for journal entries in the MIP system. She said the reconciliation of the credit card records was not completed in time, leading to this discrepancy.

Moran looked at that income statement for June 2024. She said the pledge payment of \$10,000 was missed and recorded as new revenue. Moran also mentioned the discrepancies with professional fees were due to timing issues with invoicing. She also said that Bill.com and their financial system MIP do not synchronize, there are manual adjustments required for manual entry on a template and then monthly uploads of invoices into their system. She said if an invoice for work done in the previous month is received after the upload, it will not be captured due to date restrictions. Moran said she discovered this later and fixed the issue. Moran said that operating expenses often serve as a "plug" category—essentially a catch-all for any unallocated amounts after other specific accounts are accounted for. She said the variance noted in their reports is primarily due to prior erroneous entries in these categories, resulting from the plug not reflecting the true financial state accurately. Smith asked Moran about the plug. Moran said she pulled the actual numbers directly from the income statement in MIP, ensuring they were linked through formulas rather than hard-coded. She said she did this to provide clear verifiable numbers and their source so others like Garry could see the data and the adjustments made.

Smith said due to time, and people having to run, he wanted to ask what open loops remain, and as an organization how we can have confidence in the accuracy and completeness of the reviewed financials. Smith asked what kind of boxes were going to be checked, and what role was the 2022 & 2023 audits by Clark Nuber going to provide on the opinions of the financial statements. Moran responded that the auditor will be getting the corrected financials, not the incorrect ones. Moran said there would be no changes to entries from June 2024 or earlier unless it was a coding adjustment within the same category. She stated that any necessary changes would be deferred to July and August to ensure the integrity of the reported figures. Moran said she included all necessary tabs and formulas in the financial documents to ensure clarity and accuracy. She said she confirmed that all bank reconciliations are complete and that third-party documents, like the WSIB reports, align with the financials. She said regarding the cash flow summary, she explained that it must match the changes in cash between previous and current reports. She said she also implemented hidden proof boxes in Excel to verify alignments and checks. She also said she sent this to Garry to look at the proof.

Long asked Moran to walk through the work that remains. Moran said she is working through July and August financial records. She said she is updating the scholarship model, ensuring that the balance sheet reconciliation is detailed. She said she sent a comprehensive workbook she sent over for 2023, which includes all raw data supporting balance sheet figures, along with a trial balance tab and an explanation of how the net asset number is derived. She said she works to provide one for the remaining financials with the same meticulous approach and aims to clarify and support the accuracy of the financial reports. Moran said she could provide WSIB reports to verify that the investment number on the balance sheet aligns with those reports.

Joseph Walker asked when the audit would be complete. Moran answered that the 2023 audit is scheduled to be conducted in January 2025. She said for the 2022 audit, she will meet with auditors tomorrow to assess where they are at and do additional field testing. Long stated that the auditors did not tell them if they are close to the end, so after tomorrow they can provide

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more updates. Long said that the last time they met, the auditor said they were scheduled for January and that as clients fell off their calendars, they would try to slot them in before that. Long said she could not predict how likely that would be, and she thought most likely it would be in February.

Walker asked whether we would get an audit for the 2024 period. He said the root causes of the issues are still here and not resolved, he noted Moran feeling overwhelmed, there is not enough staff for the workload, and time constraints that make it difficult to feel assured. He said we would need to see an audit for confidence in the accuracy of the financials and as close to the end of the engagement with 501 Commons. Moran said they are working on the calendar year, so 2024 would have to be over to get an audit schedule. She said typically their audits are in July. Long said there would be a 2024 audit that would be prepared. Matt Rubright said to echo Walker, the example of the \$50,000 that was not accounted for, these are types of mistakes that need to be verified for the entire engagement so that there are no missing items to give this Committee total confidence. Moran said the example used was delivered by WA STEM and she found out only later. Rubright said this type of error requires a final bow, a thorough review, or a definitive conclusion on the possibility of unaccounted funds. Long said that she does not know if this addresses the concerns, but by next week the plan is to give you all the financials – all the data to the transition end date.

Brad Faulhaber said in the meeting chat that he had agreed with Walker and Rubright. Long clarified and stated that 2023 audit delays do not have anything to do with 501 Commons not providing documentation or being unresponsive. She said auditors did not have staff to provide it. Smith said that what we are striving for, in addition to the financials line up to the third-party verifiable account like a checking account and the WSIB account, is that the accruals have been done correctly, and any allocations like chargebacks between 501 Commons and WSOS are done correctly. He said because we could get the right checking account balance but then there are still other non-cash transactions, we would like a high degree of confidence. Moran said the only major accrual you have is the scholarship model. She said the opinion that she got after a conversation with the lead auditor was that he reviewed it for reasonableness since you can't test it, have more than one person look at it, they can look at the multiple tabs that are included, and make sure the bottom-line journal entry is on the summary page makes sense to the auditor. She said the only one you are going to have more confidence in in the short term will be the 2022 audit. Moran said she will work with her team to thoroughly review all the financial transactions, including a \$10,000 donation from the Seattle Foundation, which was booked on 501 Commons books, but referenced in your books as revenue, the cash transferred. She said whatever goes back and forth, she would want a comprehensive report that confirms revenue recognition, cash transfers, and any reimbursements owed. Long said her point was that there would be a few sources of these, but that could be hidden in the numbers. She said we are taking extra diligence and there are only a few. Moran stated on the revenue side there are only two—Seattle Foundation and Benevity. She said on the expense side it's Delta Dental and Naive.

Connors commented in the meeting chat, to Walker's point, that much of the explanation for why things have been accurate is related to overwork/overwhelming for Moran that resulted in mistakes. Connors underscored that those conditions have not changed, and these conditions are persisting, it is unclear why these restated financials are more reliable than the previously

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SCHOLARSHIP

provided numbers. She said that given that, the only thing that would provide more confidence is passing 2022, 2023, and 2024 audits for the entire contract. Connors asked if it sounds like we will have 2022 this fall, 2023 in Feb 2025, and 2024 in July 2025 and asked if this was accurate for timing. Connors said this was not what auditors indicated to her when they spoke to her.

Long said Moran is still the primary responsible for the reports and the situation has not changed even though they have more resources through team members. Long said in terms of the timing of the audits, per Moran they are working with a new auditor. She said we do not know where they are going to put us on the schedule for 2025 for the auditors. She said the original plan for the auditor was 2022 and 2023 in June 2024, and then the date was moved to October 2024. She said whatever the auditor told you in June, there were complications, and we must produce 34 different financial reports for Clark Nuber which added pressure and threw the auditors off a bit. Long stated that they will make every effort to expedite the audit process, emphasizing that the delays are not caused by their team. Long stated she would let us know as soon as the audits are scheduled, and she said the pathway they are on in which audits are done in June and get a report in July. She said that is a good estimate but cannot guarantee. Smith asked if we still have deliverables coming from 501 Commons to get us through August 31. Moran said yes there were deliverables. Smith asked when we can expect the work to be complete. Moran outlined the work she still had to do. She said she had the scholarship model done and this time she would not give anything if the pieces were not done. She said since this report is up until June, she had only two months to go but she still had to look at September bank statements. She said her goal was to have it by early next week, ideally Wednesday. She said she is under pressure from auditors who continually ask for more documentation and additionally, she must prepare 501 Commons internal financials.

Smith acknowledged the amount of work and said that he hoped it would go smoothly, Moran asked when Garry was back. Luster said he would be back on Monday. Smith asked about the ongoing audit work, the two organizations will need to be working together until these are done. Moran said yes, to the extent the auditor has questions about the two organizations. Connors said they were sent a list of nine items that auditors said 501 Commons did not have sufficient backup for and that WSOS might have one of those things being a scholarship model. Long stated she did not know that the auditors were doing that. Moran said they would ask the question tomorrow as she sent the scholarship model. Long agreed and said her intention and process would be to have it come from 501 Commons. Luster said that WSOS reaffirmed with auditors that 501 Commons should be the contact for that item. Luster suggested discussing the audit information requests with the appropriate parties. Long stated that Moran will be responsible for 990 forms for 2023. Moran said she would do it to the best of her abilities, and she mentioned she was an enrolled agent.

Connors said that this is a period of waiting until those audits were completed and the opening balance information from the perspective of WSOS. She said WSOS will use whatever is provided for opening balance and the finance director is aware that there might be amendments depending on the outcome of the audits. Moran said the one thing to be aware of during the transition from WA STEM to 501 Commons, is the importance of updating the P&L statements to reflect activity after the initial open balance sheet was sent. Moran notes that minor activity, including some transactions related to Benevity and a \$50,000 contribution from Boeing,

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

occurred in September and October. Moran emphasized that this P&L activity needs to be incorporated into their records, as it is not included in the current documents. She said all necessary adjustments will be communicated and that the opening balance sheet can be derived from the trial balance she plans to send for August.

Smith said we will move forward with those numbers presuming that they are materially correct and then wait for the audit. Smith wished Moran good luck on the finalizing of the reports for July and August and offered assistance if they needed anything to expedite the process. Smith requested a debrief with Luster and Connors after adjournment. Smith called the meeting adjourned at 2:40 p.m.

Respectfully submitted,

Grace Park

DRAFT

Tab B

WSIB Quarterly Performance Report

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

WSIB Quarterly Performance Report
As of September 30, 2024

WSOS INVESTMENT AND FINANCE COMMITTEE PERFORMANCE REVIEW – 3Q 2024

DECEMBER 4, 2024

James Aber, Director of Institutional Relations



WSOS INVESTMENT PROGRAM SUMMARY

SEPTEMBER 30, 2024

- BaS and CTS funds (30% equity/70% fixed income) returned 5.3% for the quarter
- BaS and CTS returned 17.3% and 17.7% respectively for the 12 months ending September 30
- Endowment (80% equity/20% fixed income) returned 6.5% for the quarter and 27.4% for the one-year period
- Equity funds returned 6.9% for the quarter and 31.2% for the year
- Fixed income funds returned 4.6% for the quarter and 11.8% for the year
- Equity and fixed-income markets posted strong gains in the third quarter as inflation cooled and the U.S. Federal Reserve cut interest rates
- The WSIB did not conduct any transactions in WSOS accounts during Q3

- Global equity and fixed income markets moved higher in the third quarter as investors welcomed long awaited interest rate cuts by the U.S. Federal Reserve and other central banks
- U.S. inflation continued to cool with the U.S. Consumer Price Index (CPI) coming in at 2.4% (year-over-year) for September, down from 3.0% in June and 3.7% a year ago
- The MSCI Developed World IMI returned 6.7% in the third quarter, which brought its 1-year return to 31.6%
- Emerging markets outpaced developed markets during the quarter, continuing a recent trend
 - The MSCI Emerging Markets IMI returned 8.2%, which brought its 1-year return to 25.6%
- The Federal Open Market Committee held two meetings during the quarter and lowered the Federal Reserve Target Rate Range by 50 basis points to 4.75% to 5.00% at their September 18 meeting
- The U.S. 10-year Treasury yield declined steadily during the quarter
 - The 10-year Treasury yield ended September at 3.8%, a decline of 0.6% for the quarter
 - Over the last 12-month period the 10-year rate is down 0.8%
- It was a strong quarter for fixed income
 - The Bloomberg Treasury index was up 4.7%, which brought the 1-year return to 9.7%
 - The Bloomberg High Yield index returned 5.3% for the quarter, while the broader Bloomberg Universal index returned 5.2%

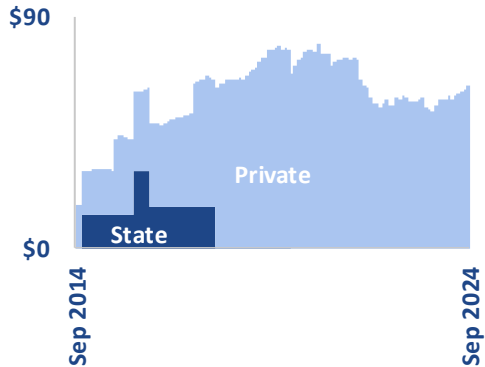
WSOS GROWTH OF ASSETS

SEPTEMBER 30, 2024



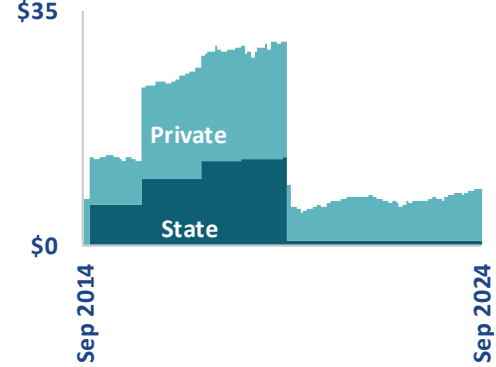
BaS (100% Private)

Private Total	\$63,188,281
Equity	\$20,182,540
Fixed Income	\$42,933,045
Cash	\$72,696
State Match	\$0



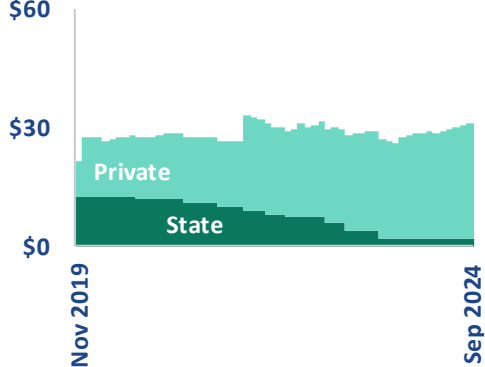
Endowment (92% Private / 8% State Match)

Private Total	\$7,897,765
Equity	\$6,554,265
Fixed Income	\$1,342,046
Cash	\$1,454
State Match	\$648,519



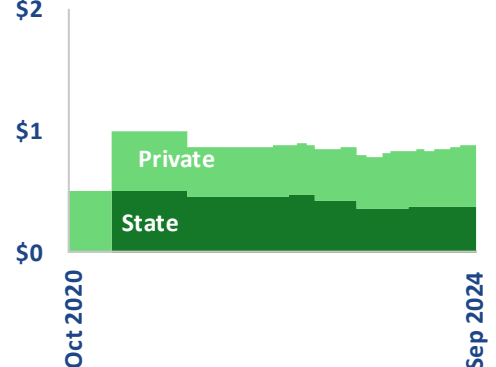
CTS (94% Private / 6% State Match)

Private Total	\$28,942,134
Equity	\$8,805,642
Fixed Income	\$20,015,045
Cash	\$121,447
State Match	\$1,936,297



GRD (57% Private / 43% State Match)

Private Total	\$507,471
Equity	\$155,957
Fixed Income	\$351,510
Cash	\$3
State Match	\$379,932



TOTAL MARKET VALUES AND ASSET ALLOCATION

SEPTEMBER 30, 2024



Private Funds

■ Cash ■ Equity ■ Fixed Income ● Actual Allocation

Equity

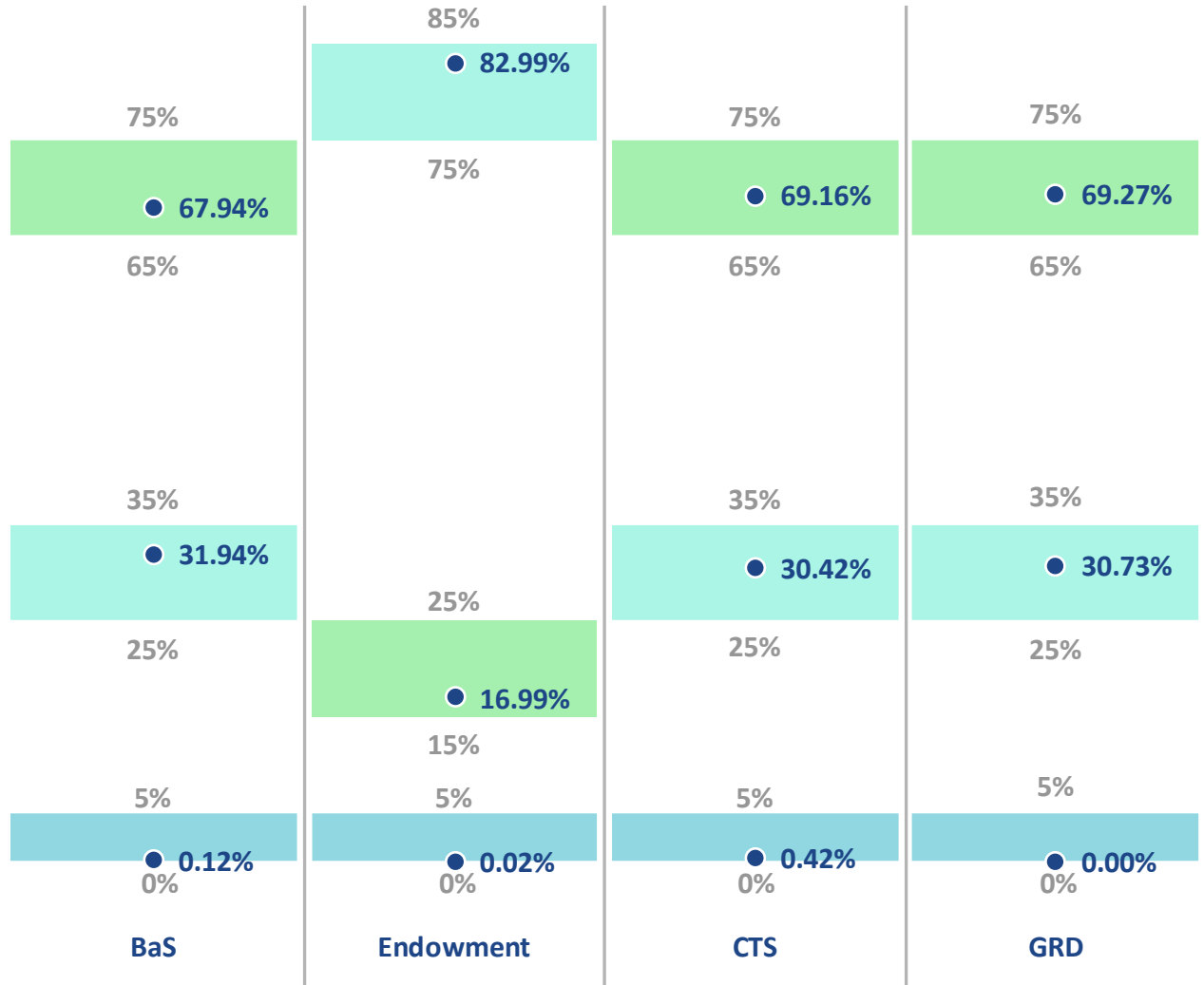
- Passive equity strategy managed by BlackRock
- Expected to closely track the MSCI All Country World Investable Market Index

Fixed Income

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

State Match Funds

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



FUND PERFORMANCE UPDATES

ALL COLUMNS SHOW PERFORMANCE CALCULATED AS OF SEPTEMBER 30, 2024

	Annualized				
	Qtr.	1 Year	3 Year	5 Year	Since Inception
BaS					
Private	5.31%	17.34%	3.36%	5.03%	5.31%
Private Benchmark	5.28%	17.19%	3.11%	4.85%	5.25%
State Match	N/A	N/A	N/A	0.13%	0.52%
State Match Benchmark	1.38%	5.51%	3.57%	2.37%	1.70%
Private Funds Benchmark: 30% Equity and 70% Fixed Income. State Match Benchmark: 100% Cash					
Endowment					
Private	6.46%	27.44%	6.47%	9.52%	7.97%
Private Benchmark	6.44%	27.16%	6.42%	10.22%	8.27%
State Match	1.30%	5.33%	3.48%	2.24%	1.59%
State Match Benchmark	1.38%	5.51%	3.57%	2.37%	1.70%
Private Funds Benchmark: 80% Equity and 20% Fixed Income. State Match Benchmark: 100% Cash.					
CTS					
Private	5.27%	17.67%	3.45%	N/A	5.08%
Private Benchmark	5.28%	17.19%	3.11%	N/A	4.62%
State Match	1.30%	5.33%	3.48%	N/A	2.26%
State Match Benchmark	1.38%	5.51%	3.57%	N/A	2.38%
Private Funds Benchmark: 30% Equity and 70% Fixed Income. State Match Benchmark: 100% Cash					
GRD					
Private	5.30%	17.67%	7.47%	N/A	5.68%
Private Benchmark	5.28%	17.19%	7.28%	N/A	5.54%
State Match	1.30%	5.33%	3.48%	N/A	2.95%
State Match Benchmark	1.38%	5.51%	3.57%	N/A	3.02%
Private Funds Benchmark: 100% Cash. State Match Benchmark: 100% Cash.					

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

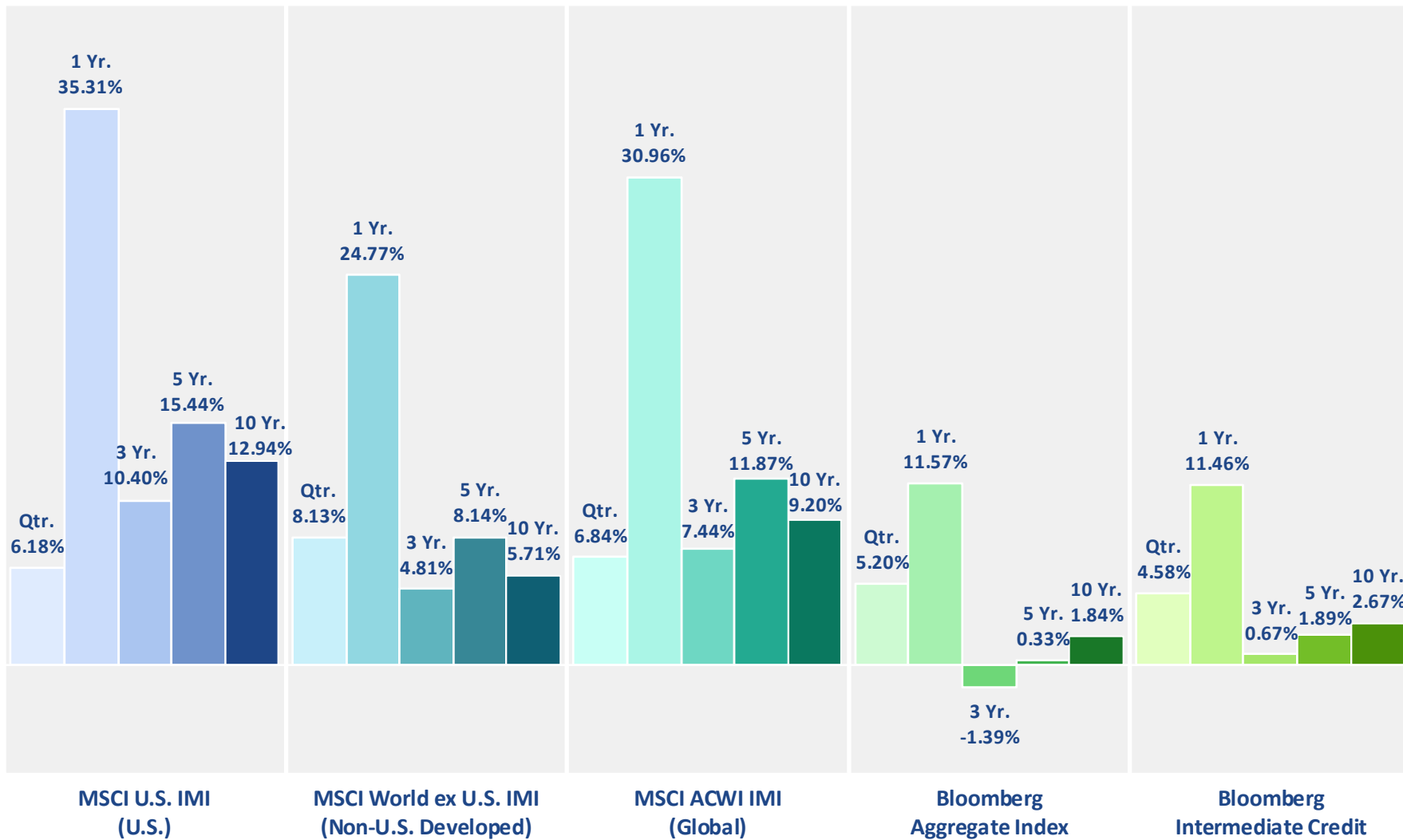
FUND PERFORMANCE UPDATES

ALL COLUMNS SHOW PERFORMANCE CALCULATED AS OF SEPTEMBER 30, 2024

		Annualized			
	Qtr.	1 Year	3 Year	5 Year	Since Inception
Equity					
BaS	6.85%	31.21%	7.74%	12.10%	9.60%
Endowment	6.85%	31.20%	7.73%	12.30%	9.59%
CTS	6.85%	31.16%	7.69%	N/A	11.82%
GRD	6.89%	31.00%	N/A	N/A	23.56%
MSCI ACWI IMI w/ U.S. Gross	6.91%	31.31%	7.74%	12.18%	
Fixed Income					
BaS	4.61%	11.81%	1.08%	2.22%	2.99%
Endowment	4.61%	11.81%	1.08%	2.23%	2.99%
CTS	4.61%	11.81%	1.10%	N/A	2.25%
GRD	4.61%	11.81%	N/A	N/A	7.18%
Bloomberg Intermediate Credit	4.58%	11.46%	0.67%	1.89%	

CAPITAL MARKETS AT A GLANCE

SEPTEMBER 30, 2024



CONTACT INFORMATION

Website: <http://www.sib.wa.gov>

Address: 2100 Evergreen Park Drive SW
P.O. Box 40916
Olympia, WA 98504-0916

Phone: (360) 956-4600



Tab C

Program Administrator Report

FINANCE & PROGRAM ADMINISTRATOR UPDATE

Sept 30, 2024

WASHINGTON STATE
OPPORTUNITY
SCHOLARSHIP

WSOS Balance Sheet

Washington State Opportunity Scholarship
Comparative Balance Sheets
September 30, 2024

	Comparison to Last Reported Period			Comparison to Same Period LFY			
	6/30/24	% Change	9/30/24	Notes	9/30/23	% Change	9/30/24
Assets							
Cash	4,466,651	-54%	2,071,981	1	3,739,196	-45%	2,071,981
Investments	98,323,065	5%	103,500,399	2	87,885,392	18%	103,500,399
Accounts Receivable	16,528	0%	-		180,614	0%	-
Pledges and Grants Receivable, net	18,381,726	1%	18,505,984	3	18,026,847	3%	18,505,984
State match receivable, net	242,197		7,511,788	4	-	0%	7,511,788
Unbilled State match revenue	11,260,037	-92%	876,704	4	13,369,968	-93%	876,704
Unbilled State match receivable, offset	(11,260,037)	-92%	(876,704)	4	(13,369,968)	-93%	(876,704)
Due From WSOF	-		-		-		-
Prepaid Expenses	76,009	64%	124,900		37,182	236%	124,900
Property and equipment, net	18,323	-10%	16,412		19,635	-16%	16,412
Total Assets	121,524,499	8%	131,731,464		109,888,867	20%	131,731,464
Liabilities and Net Assets							
Accounts Payable	187,007	-22%	145,394		236,028	-38%	145,394
Payroll Related Liabilities	144,364	-36%	92,398		122,377	-24%	92,398
Due To WSOF	-		50,046		-		50,046
Scholarship Commitments Bacc., net	20,762,874	26%	26,255,264	5	24,424,026	7%	26,255,264
Scholarship Commitments CTS, net	7,507,190	-10%	6,752,646	5	2,537,637	166%	6,752,646
Scholarship Commitments RJL, net	108,900	291%	425,324	5	177,565	140%	425,324
Scholarship Commitments GRD, net	509,687	0%	510,525	5	690,525	-26%	510,525
Total Liabilities	29,220,022	17%	34,231,597		28,188,158	21%	34,231,597
Net Assets							
Temporarily Restricted Net Assets	92,304,478	6%	97,499,866		81,700,710	16%	97,499,866
Permanently Restricted Net Assets	-	0%	-		-	0%	-
Total Net Assets	92,304,478	6%	97,499,866		81,700,710	19%	97,499,866
Total Liabilities and Net Assets	121,524,500	8%	131,731,463		109,888,867	20%	131,731,463

We believe the assets are properly stated, but we're concerned the scholarship models are understating the full liability.

Upcoming event impact...

- *December scholarship disbursement of ~\$8mm will be paid out.*
- *Potential restatement of Scholarship Liability.*

WSOS Income Statement

Washington State Opportunity Scholarship

Income Statements

Actual vs. Budget

Nine Months Ending September 30, 2024

	Nine Months Ending September 30, 2024			December 31, 2024	
	Actual	Budget	Variance Fav (Unfav)	Notes	Annual Budget
Revenue					
Private	5,039,611	4,015,000	1,024,611	1	8,115,000
Public	11,901,625	-	11,901,625	2	-
Investment Dividends & Interest	150,941	35,100	115,841		46,800
Investment Unrealized/Realized Gains	9,069,022	1,926,000	7,143,022	3	2,568,000
Investment Fees	(22,954)	(21,150)	(1,804)		(28,200)
Total Revenue	26,138,246	5,954,950	20,183,296		10,701,600
Program Expense					
Salaries and Benefits	2,622,568	2,910,011	287,443	4	3,977,671
Professional Fees - Program Admin fees	652,432	652,934	502		907,934
Professional Fees - Contractors & Lobbying	418,310	463,200	44,890	5	665,368
Conferences, Conventions & Meetings	139,727	156,124	16,397	6	207,910
Operating Expenses	241,771	429,594	187,822		486,962
	4,074,808	4,611,862	537,054		6,245,845
Income (Loss) before Scholarship Exp	22,063,438	1,343,088	20,720,351		4,455,755
Scholarship Expense	11,649,104	17,482,501	5,833,397	7	18,991,228
Net Income (Loss)	10,414,334	(16,139,413)	26,553,747		(14,535,473)

Scholarship expense has come in lower than expected due to higher than forecasted returns and potential error in scholarship expense calculation.

Note: We have no budget amount for state matching revenue

WSOS Cash Flow

Cash Flow Summary

Inception-To-Date
September 30, 2024

	Inception - Sept 30, 2024			Comparison to June 30, 2024			
	Scholarship	Endowment	Notes	Total	Scholarship Variance	Endowment Variance	Total Variance
<u>CASH FLOW</u>							
Cash Inflow:							
Boeing	30,260,000			30,260,000	-	-	-
Ballmer	7,500,000			7,500,000	2,500,000		2,500,000
Microsoft	42,500,000			42,500,000	-		-
Rubens	2,035,904			2,035,904	-		-
Connell (stock donation)	1,300,407			1,300,407	-		-
Centene	500,000			500,000	-		-
Other Private	47,029,723			47,029,723	137,682		137,682
State Match	119,385,207		1	119,385,207	3,194,019		3,194,019
State Implementation Funds	500,000			500,000	-		-
Investment Income*	39,445,268	8,552,096	2	47,997,363	4,691,522	487,566	5,179,088
Total Cash Inflows	290,456,508	8,552,096		299,008,604	10,523,224	487,566	11,010,790
Cash Outflow:							
Scholarships	(155,530,197)		3	(155,530,197)	(6,820,570)		(6,820,570)
Program Expenses	(37,900,215)	(5,812)		(37,906,027)	(1,407,557)		(1,407,557)
Total Cash Outflows	(193,430,412)	(5,812)		(193,436,224)	(8,228,126)	-	(8,228,126)
Net Cash Flow Inception-To-Date	97,026,096	8,546,284		105,572,380	2,295,097	487,566	2,782,663
<u>Composition of Net Cash Flow</u>							
Chase Checking Account	2,071,981	-	4	2,071,981	(2,394,670)	-	(2,394,670)
Investment Accounts at WSIB	94,954,116	8,546,283	4	103,500,399	4,689,768	487,565	5,177,333
Total	97,026,097	8,546,283		105,572,380	2,295,098	487,565	2,782,663

Better than forecasted investment returns and larger scholarship refunds resulted in improved cash balances.

Upcoming Event Impact...

- We will pay out \$8mm in scholarships in December.
- receiving \$7.5mm from WSAC for state match funds.

WSOS 12-Month Cash Flow

Cash Flow Summary

Twelve Month Period
Ending
September 30, 2024

Twelve Months Ending Sept 30, 2024

	Scholarship	Endowment	Notes	Total
<u>CASH FLOW</u>	-	-		
Cash Inflow:	-	-		
Microsoft	2,500,000	-		2,500,000
Ballmer	2,500,000			2,500,000
Rubens	1,015,669			1,015,669
Connell	600,407			600,407
Centene	500,000			500,000
Other Private	806,162	-	1	806,162
State Match	9,538,842	-	2	9,538,842
Investment Income	17,699,641	1,733,416	3	19,433,056
Total Cash Inflows	35,160,720	1,733,416		36,894,136
Cash Outflow:	-	-		
Scholarships	(17,765,184)	-	4	(17,765,184)
Program Expenses	(5,181,161)			(5,181,161)
Total Cash Outflows	(22,946,346)	-		(22,946,346)
Net Cash Flow Sept 2023 -Sept 2024	12,214,374	1,733,416		13,947,790

Financial Statement Notes

Balance Sheet Notes

- 1 There was a decrease in cash based on \$6.8mm in scholarships that were paid out in the quarter. Program Expenses were ~1.4mm, which is in line with prior quarter of \$1.5mm.
- 2 Investment balance as of 9/30/2024 includes WSIB BaS Scholarship \$63.2mm, WSIB CTS Scholarship \$30.8mm, WSIB Endowment \$8.5mm, and WSIB GRD Scholarship \$887k. During Q3, net investment gains across all accounts totaled ~\$5.17mm with \$5.14mm from unrealized holding gains.
- 3 Pledges Receivable was increased for a \$123k donation from BECU Foundation.
- 4 In November, we invoiced WSAC for \$7.5mm for February through August 2024.
- 5 We will be reviewing the scholarship models in depth over the next quarter as we believe we may have a mis-statement which under-reports the liability.

Income Statement Notes:

- 1 In August, we received DAF funds from Balmer Group for \$2.5mm.
- 2 We invoiced the State of Washington a total of \$10.46mm this past quarter.
- 3 Unrealized Gains on Investments for the quarter were \$5.14mm. No Realized Gains.
- 4 With the breakout of Foundation staff, we can expect to see large variances in Labor Expense. Additionally, the program has open roles which will be filled in Q4 or Q1 2025.
- 5 \$42k in positive variance due to reduced legal fees and impact of not having Clark Nuber perform review services on 501 Commons. These savings have been slightly offset by additional fees for ED search and temp staffing.
- 6 We have paid expenses related to 3 events, Connell Boat Cruise, ED Meet and Greet, and the summer celebration.
- 7 The scholarship expense booked in August brought the YTD expense in under budget by \$4.6mm. Scholarship returns have come in \$1.35mm over budget (\$707k BaS, 643K CTS/RJI).

Cash Flow Statement Notes:

- 1 We have ~\$7.5mm invoiced and outstanding which we hope to receive by end of the year.
- 2 Investment Income - Q3 investment returns were made up of unrealized gains of \$5.13mm, interest & dividend income of \$44k and investment expense of \$8k.
- 3 Scholarship disbursements between in Q3 were \$7.5mm (BaS \$4.7mm, CTS/RJI \$2.6mm, and GRD \$.18mm) and scholarship refunds totaled \$684k (\$255k Baccalaureate, \$428k CTS/RJI). GRD disbursements include ~\$20k related to travel and preceptor stipends.
- 4 Assets are maintained in a Chase Checking Account to meet short term cash needs; all excess dollars are invested in WSIB investment accounts to generate returns.

Tab D

Program Update

**WASHINGTON STATE OPPORTUNITY SCHOLARSHIP BOARD MEETING
WEDNESDAY, SEPTEMBER 11, 2024, 1 PM - 3 PM, AT MICROSOFT AND MICROSOFT TEAMS
MEETING MINUTES**

The Washington State Opportunity Scholarship (WSOS) Board of Directors convened on September 11, 2024, in person and via Microsoft Teams. The meeting was publicized as being available to the public on the WSOS website at least 24 hours in advance of the meeting.

Board members present: Brad Smith (Chair), Gary Rubens, Jane Park, Julie Sandler, Miller Adams, Patrick Smith, PV Sivakumar, and Beth Johnson

Additional attendees: Aileen Miller, Gina Breukelman, Jane Broom, Kimber Connors, Dena Parmer, Lyanne O'Connell, Camille Reynaud, Hayley Schaefer, Johnathan Luster, and Stephanie Ryder as well as various other WSOS staff audience members via Teams

Meeting Called to Order

Brad Smith, Chair, called the Board meeting to order at 1:00 p.m.

Approval of Minutes

Julie Sandler moved that the minutes of the June 18 and July 23 Board meetings be approved. Jane Park seconded the motion, and it was carried unanimously.

Mission Moment

Hayley Schaefer, WSOS Associate Programs Director, introduced Stephanie Ryder, who is a recent graduate of Whitworth University. Ryder said she graduated from high school and Olympic College with her AA through Running Start. She said she knew in eighth grade that she wanted to go to college and get a four-year degree, but her family would not be able to help with college expenses. Ryder said she went to Whitworth University and, in 2.5 years, got her BS in chemistry with a concentration in biochemistry. She said she started on the pre-med track but realized that she loved research. Ryder said she fell in love with research when she did a forty-hour-a-week summer research program for two summers, studying the calcium ion binding domain of an enzyme that had been looked at for enzymatic therapy for celiac disease. She said for one of her classes, she had to write a cover letter for a job she wanted to have, and right before this, she had received an email from WSOS about an event with Benaroya Research Institute (BRI) in Seattle. Ryder said they talked about their programs available to undergraduate students and a post-BA program. She said she wrote a cover letter and submitted it for the assignment. Ryder said a year later, she received emails from WSOS about signing up for a mentor. She said that one of the coolest things that has ever happened to her was that her mentor was finishing her PhD at BRI, and she had the opportunity to learn from her. Ryder said that students who do not have family members who have gone to college need financial help from WSOS but also informational support. She said that through her mentor, she learned about cover letters and applications and even toured BRI. Ryder said she graduated in January of 2024, and she has been at BRI now for six months as a research tech. She said WSOS had been woven into her story through financial support, skill building, post-graduate support, and mentorship. She said she is the second person in her family to graduate with a four-year degree, graduated debt-free, and was able to get a job right after graduation. Ryder said for the past two years, she has passed on her knowledge to other students as a Scholar Lead. She said she tells other Scholars that you get out what you put into the scholarship because there is so much more than financial help. She gained information, the opportunity to be mentored and be a mentor, and post-graduate support that led to her job.

Miller Adams asked Ryder to share about her published research. Ryder said it is uncommon for undergraduates to publish their research, and it is especially uncommon for them to be the first author, which means they took on the brunt of the work but are also given the majority of the credit. Ryder said she

graduated at the age of twenty and had her first, first-author publication in the American Chemical Society Journal. She said it is an endorsement that the research she did was sound science.

Brad Smith complimented Ryder on her accomplishments and congratulated her on being a first author. Ryder said she is only the second undergraduate to publish from her college.

Brad Smith thanked Ryder for being a Scholar Lead and asked if she had any advice to improve the WSOS program. Ryder said it is important to keep asking students what they need. She said mentoring and information are so important and asked that the Board keep advocating for this program because it means more than the mentors will ever know. Ryder said she would like to see post-graduation mentorship for Opportunity Scholars.

Public Comment

No one signed up or called in for public comments.

ED Corner

Johnathan Luster, WSOS Interim Executive Director, reviewed the Executive Director search to date. He gave a summary of the next steps from the search committee. Luster asked that he replace Camille Reynaud on the search committee, engage a new search firm, use an interview loop format, and hopefully conclude the interview process before the Q4 Board meeting though he noted more time may be needed. He reviewed the pros and cons of the recommended steps, one con being a \$75k price for the new search firm.

Brad Smith asked the search committee to give their learnings. Jane Park said they reviewed all the different aspects of the process and areas they should change and that the new proposal was strong.

Brad Smith asked if Park believed the \$75k price tag was worth it. Park said she absolutely thinks it is.

Adams said that often the search committee charges a fee based on the salary of the executive we are recruiting and asked how the \$75k fits into the salary. Luster said the proposals he has received are 30% of the higher end of the salary, and a couple are under that market rate. He said he believes it may come in lower than the proposed \$75k which gives us a little room if it goes longer than expected. Brad Smith asked if we owe a fee to the first search firm even if we move to a different firm now. Kimber Connors said we paid for the first search firm even though we did not hire a candidate from that process. Brad Smith asked if we would owe the original search firm any additional money if we moved to a different firm and Connors affirmed, we would not.

Adams asked if people who were part of the first search would score higher had the proposed interview loop approach been used instead. Park said that she does not think that approach would have changed the result with the final two candidates presented to the Board. She said the structured nature and lack of follow-up made the first search difficult but that substantively, the committee still felt confident they put forward the strongest candidates that had been in the pool.

Julie Sandler said the process seemed very lukewarm from beginning to end. She suggested more check-ins with the Board about the candidates we are really impressed with throughout the process so the Board can discuss before we move to the next milestone. Sandler said it would be good to look back at some of the strong candidates from the last round that we did not interview and consider them again. Brad Smith said that with Luster and Connors in place as leaders, he is comfortable if the process goes longer than proposed.

Board Action: Miller Adams made a motion to replace Camille Reynaud with Johnathan Luster on the Executive Director Search Committee and authorize up to \$75k to retain a search firm. Jane Park seconded the motion, and it was carried unanimously.

Luster reviewed the intended impacts and metrics that our staff work toward, along with the WSOS strategic priorities. He noted that the four strategic priorities stay the same. Luster said there have been changes to the

development goals based on what we believe is possible based on staffing. He said we have changed the development goal metric of raising \$75M from December 2025 to December 2026. Luster said we would discuss the impact of this at the December Board meeting. Luster said it is a new academic year, and our targets are very similar to last year. He notes that anything in bold or green has been changed. He said the Awards team reduced the number of Graduate Scholarship (GRD) applicants from 80% to 75% because it was not feasible for this newer scholarship. Luster said we increased the areas where we want to see the Scholars renew and increase on time. He said the programs team increased some of their numbers because they exceeded them this past academic year. Luster said external affairs had an increase of one more earned media piece and are looking to grow the social media audiences more than we have ever before. He said fundraising numbers are reduced from last year based on what we think is possible today. He said a new goal for the advancement team is 100% staff retention by calendar year (CY) 25. Brad Smith said there is no room for error with that goal. Reynaud said she is happy they have hired three new staff since the last Board meeting.

Luster said the impact of the development goal changes will be discussed in depth at the next Board meeting. He said the five-year strategic plan talks about employee tenure. Luster said we aim for 36-month retention but do not believe this is attainable at this time, so we reduced the goal to 28 months. Luster presented a snapshot of where we are at today and said things were good for quarter four. He said the awards team had a goal for 90% of Career & Technical Scholarship (CTS) and Baccalaureate Scholarship (BaS) Scholars to report that they could attend school full time and work less because of our scholarship. Luster said CTS has been trying to hit that goal for years, and we hit that goal last academic year, and BaS hit 97%. He said programs had a goal to close the opportunity gap for race, income, and geography and hit the goal of 60% participation in the different categories for the first time in years. Luster noted that external affairs have been on track to grow the LinkedIn audience and prep for the fall promotional events. He said development has had two successful hires giving us the staff capacity to reach our goals. Luster said we are working to build one culture between the programs and foundation staff because we are working towards the same mission. He thanked Park for hosting our staff summer celebration at her house. Luster said the directors' team reviewed themes from the organizational survey results.

Brad Smith asked about the organization survey's biggest highlights and biggest areas of opportunity. Luster said staff understand what their job is, believe in the mission, and feel seen and heard. He said the opportunity for improvement is around our value of "we is greater than me." Luster said the theme was that staff need help prioritizing cross-team projects that they may not have time for. He said we will try to address this at our fall All Hands meeting.

Luster reviewed key wins of the quarter of officially moving to WSOS Foundation (WSOSF), awarding over \$150M to date, closing almost all the opportunity gap goals, hosting a successful Connell family donor appreciation event, and setting a date and location for Opportunity Talks 2025. He said the challenges are the impact of transitioning from 501 Commons to WSOSF, new strategies to increase Scholar engagement, adjusting our pace for Campaign targets, and scaled learning with the new WSOSF systems. Luster shared where we have been with program administrators (PA) and said that WSOS is the one client of WSOSF. He said as a result, we have shared goals, a cohesive culture, integrated policies and procedures, and right fit tools. Luster reviewed the changes in the PA contract and said we had strengthened areas where there was a risk and bolstered areas of alignment. He said we have a three-year contract with extension options of one to five years but hope to remain in this contract for many years to come. Luster said the program administrator contract stipulates the WSOSF executive director is a visitor to the WSOSP Board meetings, and the WSOSP executive director is an ex-officio member of the WSOSF Board based on recommendations from the Board. He said the contract allows the monthly fee to be adjusted if it was set too high or too low so we can tweak as we learn along the way. Luster noted that the 2024 monthly fee of \$85k to the foundation is higher than the projected \$55k due to Board approval of Connors staying on to support the program interim executive director and WSOSF start-up costs like the incoming balance sheet audit. He said the 2025 annual fee of \$1.34M to WSOSF is about \$60k lower than projected. He said \$600k includes program staff moving to the foundation, and if you take out that \$600k, the fee is \$740k, and we projected \$800k.

WSOSF Updates

Connors shared the WSOSF positions and personnel. She said we have contracted IT services with Executech and HR legal services with OneDigital, along with a temporary senior accountant. Connors said we were originally going to hire an HR manager, but with the advising and legal services from OneDigital, we realized we need an HR generalist who focuses on payroll and benefits administration. Brad Smith asked if the HR generalist is the only dedicated HR professional for the programs and foundation. Connors said her new role is dedicated to leadership and support of the HR function, along with thirty hours of services from OneDigital each month. Smith asked if there is any HR professional on the programs side of the house. He said a generalist focused on payroll is sufficient when times are good, but it is complicated managing people. Smith asked how many staff we have. Connors said we have about thirty total staff. Smith said there will be days when staff are unhappy or there are issues and asked if we are thinking broadly about the full range of HR needs by focusing on payroll and benefits only. Connors said she believes this is the right structure for now with outsourced expertise from OneDigital, but that WSOSF will assess as time goes on. Brad Smith emphasized the importance of having HR contacts that are known and trusted by everybody. Sandler said her organization of thirty has a part-time person in that role who began as a contractor in the office with staff four hours a day two days a week. She said as the needs went up; they increased the hours. She said the in-person position is a powerful thing. Park said she heard Connors say she would fill that role as the WSOSF executive director and although Connors may not have HR formal training, she has the organizational structure and conflict knowledge. Connors said this will come back to Luster to see if he feels he is getting the support needed for staff and would report back.

Gary Rubens asked if we considered doing a percentage of the dollars managed under the scholarship rather than a set fee for the program administrator (PA) contract in case we need to scale if we bring in more or less money so that we do not need a new contract. Connors said we picked a fee based on the services being provided today but if the foundation does not use the full fee, the program would get that money refunded. She said we can also adjust to a higher fee if needed in the future due to the flexibility built into the contract. Connors said all other PAs take the fee and use any extra to support their mission, but because the foundation exists only for WSOS programs, there is no separate mission, and any additional money will funnel back to the program.

Adams asked if the programs and foundation were in the office together. Connors said we have a shared agreement to use the same office. Brad Smith asked if that meant yes. Connors affirmed it is a yes. She said that when questions arise about Foundation staff involvement in program meetings and events, the answer is always yes because we want integration. Connors said that the policies for Foundation staff and program staff are the same.

Connors reviewed the current human resources projects, which are moving separate policies into the staff handbook, moving employee tracking from different sources into a secure HRIS, securing benefits, setting up our 401(k), payroll testing, selecting training providers, and securing HR consulting support. She said the one-time-only tasks include HR onboarding, offer letters signed, benefits forms shared, hiring for an HR generalist, and staff acknowledgment of the handbook and job description, along with I-9 verifications.

Connors said the Finance team has paused the Clark Nuber audit and is focused on building confidence in the opening balance sheet because we have concerns and questions about the finance information coming from 501 Commons. She said 501 Commons is restating all their financial statements that they prepared from September 2022 through the end of our contract, which has a big impact on our opening balance sheet. Connors said we have JP Morgan Chase set up for our brokerage, programs, and foundation accounts. She said we have Sage Intact as the foundation's ERP and will onboard staff to the new systems. Connors said the one-time-only tasks include sending the final invoice to 501 Commons for transition fees, Scholar Lead W9 and ACH document gathering, enrolling colleges in the payment process, and getting a small number of prepaid cards since the corporate cards are delayed because WSOS program does not have financial history until the

audited documents are secured and the foundation has no history. She said we are setting up ACH for direct payments for as many things as possible.

Smith asked how many individuals have corporate cards and the average monthly spending. Connors said the total line of credit is around \$65k, but we never spend close to that. She said the bank has said Connors could be the personal guarantor. Connors said we are also looking at Expensify, which we use for all our expense reporting because they have expressed openness to using our bank balance rather than credit history to validate our line of credit. Connors said we have prepaid cards for our promotion person, who will be on the road a lot, and Dena Parmer, who does most of our operational spending along with a couple of other staff.

Connors said information technology had all staff audit their SharePoint because we have a lot of personally identifiable information about students, and we do not want to store anything that is unnecessary. She said we have more extensive data security requirements, and we are rolling out a VPN. Connors said we are launching cyber training in September because, in the past, the PA has relied on extensive cyber security insurance rather than having a strong cyber policy.

Brad Smith asked if we had a cyber intrusion, and what the worst that would happen would be. He asked how much and the nature of the information we possess about Scholars. Connors said we did a deep look at this a couple of years ago and reviewed how much we must keep and when we can purge data. She said at that point we had 38,000 student records because we stored information for every student who had applied for a scholarship. Connors said we purged the information we can, but it is complicated by state reporting requirements. Brad Smith asked if we have social security numbers for all students. Connors said if we still need to verify things through the Washington Student Achievement Council (WSAC) we store the information in the database. She said once students have been verified, we eliminate data that is no longer needed if we can. Brad Smith asked if the student database is the most sensitive piece of data we have in terms of personal information and how well-protected that database is. He said cyber training is great, but have we had anyone audit our systems and give us advice. Connors said we have not, but we could around the student database itself. She said vendors say they have protocols in place but in the fine print we assume all the liabilities if they have some sort of breach. Brad Smith asked if the student database resides solely in the possession of a vendor. Connors said it is a cloud-based tool, not stored on a WSOS server.

Brad Smith asked who has access to the data set. Connors said employees at the foundation and program with need-to-know business needs, along with the vendor have access. Brad Smith asked what vendor we are using. Connors said it is Caspio. Brad Smith said it feels like we should do more on the preventative side. Brad Smith said Microsoft might be able to help with a free audit or cyber security analysis. Brad Smith said one of the concerns, due to the increase in trends of ransomware attacks, is the reputational impact of an intrusion. Connors said according to our insurance provider non-profits are particularly targeted through phishing scams. This is one of the major considerations for WSOSF in selecting cybersecurity training for staff.

Brad Smith asked what kind of Multi-Factor Authentication (MFA) we use today for everyone. Connors said the current handbook now requires employees to use MFA anytime it is offered, and MFA is required for specific tools like Microsoft 365 accounts. Connors referred to Lisa Magennis regarding Caspio systems, the system where the student data is housed. Magennis stated that the MFA is in place with Caspio. Also, she affirmed that only individuals with business needs have access to the backend of Caspio to ensure that they minimize the number of people who access super-sensitive information. She stated most staff users can't see the personally identifiable information due to their permission settings.

Connors moved on to the current operations projects. She said the 990 extensions have been submitted, and the auditor was identified for clean opening balance sheet from Commons. Connors stated they registered as a business, met all the insurance requirements outlined in the PA contract, and contracts with all our vendors have been moved over from 501 Commons to WSOSF.

At 2:00 p.m., the Board Chair, Brad Smith, had to leave the meeting and delegated Park as the chair for the remainder of the Board meeting.

Washington College Grant | WSOS Alignment

Luster introduced Lyanne O'Connell to talk about the Washington College Grant (WCG) program and WSOS alignment. O'Connell said in 2022, WSOS aligned statutorily to the WCG program. This past spring, Senate Bill 5904 amended WCG, extending funding support from five to six years to align with the Federal Pell Grant. O'Connell said with the shift, WSOS' responsibility is to align with this change.

O'Connell shared the current funding structure. She said in 2014, the Board approved this funding structure which allowed students to receive \$2,500 in each of their first two years, \$5,000 in their third year once admitted to their major, and \$7,500 for their fourth year. If a fifth year is needed, Scholars can qualify for another \$5,000, which would result in a maximum total award of \$22,500.

O'Connell stated that in the last ten years, WSOS has learned that most of our Scholars received 40% or less of the maximum total award available. O'Connell stated this is generally because they change programs or schools or enroll in ineligible programs. To meet the new statutory requirement of funding students for six years, O'Connell recommended a flattened BaS funding structure that preserves a total maximum award of \$22,500. O'Connell outlined the pros and cons. She said the main pro is that it is compliant to the new statutory changes to support Scholars up to six years, allows flexibility for Scholars to take extra summer term to get into their major, and there is little impact on the total award with the same current funding dollar amount. Park asked what number or percentage of students need summer term funding. O'Connell stated 400 Scholars used summer funding this year which was an increase over previous years. O'Connell said another advantage is more predictable and consistent funding for Scholars and financial aid offices. O'Connell said the con of this structure is that there is less funding in the fourth and fifth year. She stated in general, most students in their senior year have the least amount of funding from financial aid or have maxed out of other types of financial aid and so this drop in WSOS funds in those years could be problematic.

O'Connell asked for the Board's feedback and what additional information would be needed for a vote. Park asked if the \$22,500 was spread over five years. Park also asked what proportion of Scholars graduate in four years. O'Connell said that our Scholars are twice as likely to graduate in four years compared to the new average trend, so fewer of our Scholars would benefit from the six-year requirement than the average. Adams asked if we are trying to impact the behavior of the Scholars through the award structure. O'Connell said the goal is to encourage them to get into their major by increasing the award level once they are accepted. PV Sivakumar asked how many fourth or fifth-year Scholars withdraw or don't complete because they run out of funding. O'Connell said WSOS does not see students' full financial aid packages, so we cannot review what the gap would be. She said in the past ten years only 27% of Scholars have used the \$7,500 level which represents the fourth year in the current model.

Gina Breukelman asked if there was an option to incentivize on-time completion or earlier completion. Park agreed and recommended that WSOS consider an option to keep the \$7,500 level and cut the sixth year. Park asked if the \$22,500 was stuck as a maximum. Park suggested O'Connell put together a proposal that would showcase the model that we believe will best maximize the number of graduates for the most cost-effective approach. Rubens likewise encouraged O'Connell to focus on the overall goal of maximizing the graduation rate. Jane Broom said higher education costs and the inflations have gone up since the setting up of this model so asked if \$22,500 in maximum funding was still the right amount. O'Connell said she will continue to work with the Finance team to review the scholarship model with a focus on maximizing graduates. O'Connell said they will take the Board's suggestions, reevaluate options, and come to the next meeting with some different potential structures and of course, the development implementation plan for Board vote. She said whatever is decided on will impact the past cohorts as well as those who have already been receiving the old model and rule structure.

Academic Year 2024-25 Programs

Hayley Schaefer presented on the WSOS programming in the past academic year. Schaefer highlighted a Scholar story of David Yun, a recent alum from Pacific Lutheran University where he got his degree in biochemistry. She stated David was a Scholar lead while he was in school, where he supported Scholars and then he also participated in our Skills that Shine program. Schaefer said his mentor worked at Bristol-Myers Squibb (BMS), one of our great partners, who was able to support David once he graduated in successfully got a job at BMS as a manufacturing associate. She said David is now serving as a Skills that Shine mentor, and he recently participated in a recruitment event that WSOS and BMS did together to recruit mentors for our program. Schaefer said David's story highlights the intentions of the program.

Schaefer said in summary of last academic year, there was lower engagement, however, programs met or exceeded impact goals. She detailed the data to demonstrate this conclusion with the specifics as outlined in the Board pre-read. Schaefer stated the BaS program exceeded the targets for engaging historically underrepresented students. She said the CTS program targets were not met but the data does not include the job board metrics. Schaefer stated we were limited in our ability to tie the individual views to Scholar records and if that data had been included, we would have met or exceeded those targets.

Schaefer summarized some of our learnings that there was lower engagement in our BaS and CTS programming. She said for this current academic year, engagement targets were adjusted to be realistic, and improvements like granting more autonomy in supporting their caseloads for Scholar Lead. She said another learning was that Scholars showed a decreased responsiveness to virtual events, particularly post-COVID. She stated as a response, the program has expanded career development offerings to include diverse engagement methods beyond just events. Schaefer said GRD Scholars, clinic and travel stipends, along with a presentation by the Washington State Department of Health, constituted 70% of the services accessed by GRD Scholars, indicating these will remain focal points moving forward.

Schaefer said the current academic year includes tweaks to the Scholar Lead programs for BaS & CTS, which include increased amounts of advisor touch points to provide better support, address issues sooner, and increase Scholar Lead autonomy. She said that CTS will be shifting the duration of the program to a quarter. Schaefer said for Skills that Shine, the BaS program, is continuing its usual operations while accommodating a larger number of eligible third-year Scholars. She said significant changes would be made to the CTS program based on Scholar feedback, including a pilot ad hoc mentorship model with one-off Q&A sessions with industry professionals. Additionally, the team plans to launch a BaS jobs board due to the success of the CTS version. Schaefer said for new career development, partnerships with external organizations like Vitaes, a video repository highlighting BIPOC professionals in a variety of industries, and SocialTalent which provides online learning courses, will enhance professional development resources for Scholars. She said for CTS, we are piloting an industry-specific newsletter to provide tailored resources and advice unique to those industries. Schaefer stated for the Industry Insider program, we will continue to focus on partnerships with great companies in the community that create internship opportunities and site tours for Scholars.

Park asked if there was another program or benchmark to compare our engagement and look at peer programs. Schaefer stated it is worth looking at higher education engagement and comparing rates of engagement with colleges. She said during COVID, we saw high levels of engagement because there were not a lot of campus options and Scholar feedback recently indicates that they may not participate in current programming because they have access to similar support through other on-campus resources. Sivakumar asked if we provide support in resume writing, LinkedIn, and career search support. Schaefer stated CTS recipients have the option to submit their resume for review by a WSOS staff member, but only a small percentage of Scholars utilize this resource. She said for Scholars who participate in Skills that Shine for BaS or CTS, there is a module where we encourage them to work on their resume, their cover letter with their mentor, and we have a spot on the Scholars portal where they can submit it.

Finance & Program Administration Update

Patrick Smith said the Finance & Investment Committee (F&I) met on Thursday, September 5. The Washington State Investment Board (WSIB) gave their update, the BaS and CTS funds returned about 1.3% for Q2 and 9.5% and 9.8% respectively for the 12 months that ended June 30. The endowment returned 2.2% for the quarter and 16.3% for the 12 months. Patrick Smith said as of end of June 30, we remain in compliance with our investment policy statement and our asset allocations, tracking in line with the benchmark on the equity and have been slightly outperforming our benchmark in fixed income. Smith invited questions on the investment side and no questions were raised.

Patrick Smith moved on to financial reporting and stated that 501 Commons is restating all our financials going back to September of 2022. Since the financial statements were not accurately represented, the F&I Committee decided to pause discussions, which was disappointing for everyone involved. Patrick Smith said 501 Commons committed to providing the restated financials by September 23. Patrick Smith stated the F&I Committee would convene a special meeting to discuss and review the results.

Sandler asked if we expect to be better off or worse off than we thought we were when we see the restated financials. Patrick Smith referred to Connors. She stated that she did not know, based on the little visibility we had, the reasons for the restatements. She said the impression she had from Eileen Moran, 501 Commons Finance Director, was that there would be both material and immaterial differences, but we did not get a clear sense of the directionality of those changes. She said the explanation that was given was that their transition from QuickBooks to MIP as their financial information system was driving much of the problem. She said there was a period where they were doing some manual work, an issue occurred, and then it carried forward to every future financial statement that needs to be corrected. Connors said the Committee asked the 501 Commons team to show initial statements compared to the amended statements to identify those material changes. Adams stated that there is a lot we do not know, and the best course of action is to wait for all the information.

Patrick Smith said that the good news is that we have a new program administrator, and we are optimistic about the trajectory of work. Patrick Smith said there are two requests for Board actions, to reappoint committee members Joseph Walker and Patrick Smith, and to appoint new member Kendra Mathias. He said Mathias was recommended to us by another committee member, Jess Peet. Mathias is in Alexa & AGI Finance at Amazon as senior finance manager. Smith said he has met Mathias and thinks she would be a terrific addition.

Board Action: Park made a motion to reappoint Joseph Walker and Patrick Smith and appoint Kendra Mathias to the Finance & Investment Committee. Adams seconded the motion, and it was carried unanimously.

Luster and Connors highlighted a couple of acknowledgments. Luster acknowledged Connors 7-year anniversary with WSOS. Connors acknowledged Gary Rubens' last Board meeting and thanked him for his dedication. Connors acknowledged Dena Parmer, who is leaving the organization. Connors thanked Dena for her support for the Board and staff at WSOS.

Executive Session: At 2:50 p.m., Park, the delegated Board Chair, announced that the Board was going into Executive Session until 3:00 p.m. to obtain advice from legal counsel. The open meeting was reconvened at 3:00 p.m., and Park announced an extension to the Executive Session to 3:10 p.m. The open meeting was reconvened at 3:10 p.m., and Park announced an extension to the Executive Session to 3:20 p.m. The open meeting was reconvened at 3:20 p.m., and Park announced an extension to the Executive Session to 3:35 p.m. The open meeting was reconvened at 3:37 p.m. with no formal action taken.

Board Action: Adams made a motion to delegate authority to Patrick Smith to meet with the Board of 501 Commons to address unresolved issues. The motion was rephased.

Board Action: Park made a motion to delegate authority to Brad Smith and Patrick Smith to take whatever steps they deem necessary to resolve the issues with 501 Commons. Gary Rubens seconded the motion, and it was carried unanimously.

The Board meeting adjourned at 3:40pm.

Respectfully submitted,

Grace Park

DRAFT

PROGRAM UPDATE | DECEMBER 2024

INTRODUCTION

Since the September 2024 Washington State Opportunity Scholarship (WSOS) Board meeting, the WSOS team celebrated nearly 1,100 winter/spring Career & Technical Scholarship (CTS) applications, far exceeding our goal. We also welcomed over 165 Scholar Leads who will support more than 2,200 Scholars across the state and secured our first corporate sponsor for OpportunityTalks. Other key milestones include kicking off the Executive Director search, staying closely connected to a promise-style bill that would expand our program, and the WSOS Foundation standing up processes and resources.

AWARDS ADMINISTRATION UPDATE BACCALAUREATE SCHOLARSHIP

The Awards team is preparing to launch the 14th annual Baccalaureate Scholarship (BaS) application, which will open from January 8 through February 26. In the past, the team would engage the Board in reviewing and aligning on BaS eligible program and selection principles. Since the Board approved an evergreen eligible programs and selection model in 2022, the Awards team will continue to select BaS Scholars who meet the following criteria:

- Heading into high-demand careers across Washington state
- Likely to graduate with a degree in STEM or health care
- More likely to complete their degree or program if they receive a scholarship

The applicants can choose from over 150 programs that meet the following criteria:

- Occupation must be considered STEM or health care
- Occupation must be a high-demand field in Washington State
- Occupation must earn a living wage
- Occupation must need a bachelor's degree for entry
- The major that leads to that occupation must be offered as a bachelor's degree from at least one Washington institution

Based on these criteria, four new programs were added to the list from the previous cycle. To review the entire list, please see [BaS eligible majors](#).

CAREER & TECHNICAL SCHOLARSHIP

The Career & Technical Scholarship (CTS) Cohort 6 winter/spring application closed in October with nearly 1,100 completed applications, far exceeding our goal of 800. This is the team's first year in a combined winter and spring application cycle. Based on the many submitted applications, we will continue offering a combined cycle. A summary of the winter/spring CTS and Rural Jobs Initiative (RJI) recipients is available in [Tab C](#).

We have hosted a series of optional information sessions for BaS and CTS Scholars to deepen their understanding of WSOS policies, including the requirements to maintain their scholarship. This is a new strategy to help more Scholars stay in eligible majors and earn in-demand credentials. So far, nearly 300 Scholars have attended, and their feedback has been overwhelmingly positive.

GRADUATE SCHOLARSHIP

The Graduate Scholarship (GRD) program selected Cohort 4 this past spring. After selecting 20 new Scholars, one college notified us that a Scholar did not meet the residency criteria determined by the FAFSA data and verified by their financial aid office. We were able to inform the Scholar about their ineligibility before funds were disbursed, and we selected a new Scholar to join this cohort. For an updated summary of GRD cohort 4, see [Tab C](#). To avoid this issue in the future, we will work closely with

financial aid offices to determine residency as part of the eligibility process. This will help guarantee that selected Scholars meet the criteria before being selected.

We look forward to discussing GRD expansion during the Board meeting. To continue meeting health care shortages in Washington state and respond to funders who are interested in supporting WSOS, we intend to propose that the Board considers updating our eligible programs to include Master of Social Work and certified nursing midwife, which is a track of the already eligible Doctor of Nursing Practice.

WASHINGTON COLLEGE GRANT – WSOS ALIGNMENT UPDATE

At the September Board meeting, we provided an update on the legislative changes impacting the BaS program. This includes the passage of Senate Bill 5904, providing students with up to six years (previously five years) of Washington College Grant (WCG) funding to align with the Federal Pell Grant program. Additionally, students need help understanding award levels due to an incremental BaS funding structure and the ability to use funds during the summer term. These challenges have created an opportunity to evaluate the BaS funding structure that has been in place for the past ten years.

Based on questions from the Board during the last meeting regarding BaS funding, we have learned:

- The **cost of college has increased by about 32% in the past 10 years** for students living on/off campuses in Washington State. The **most significant impact** of the increase was the **cost of living and food expenses**.
- The average **unmet need** for students is \$6,500 per year.
- **66% of Scholars** who graduated with an eligible major **accessed higher levels of funding**.

We intend to continue this conversation briefly during the Board meeting and return in early 2025 with a BaS funding proposal. Due to delays and inaccuracies in financial materials we have received from 501 Commons, the WSOSF Finance team needs more time to gain confidence in WSOS finances and update the scholarship model. These steps must occur before we can determine potential BaS funding structures to present.

Scholarship Highlights

	BaS	CTS/RJI	GRD	Total
Total Actual Disbursed (2012 – Present)	\$133,467,125	\$19,818,410	\$1,100,525	\$154,386,060
Scholars Enrolled 2024-25	3,525	1,481	39	5,045

SCHOLAR PROGRAMS UPDATE

At the September Board meeting, the Board asked how Scholar engagement in WSOS programs compares to student engagement broadly. We learned that our engagement rates are stronger than most rates in comparable programs. For instance, 50% of UW students, 37% of WSU students, and 4% of Tacoma Community College students participate in first-year peer support programs. Last academic year, our engagement in the Scholar Lead program was 73% (BaS) and 37% (CTS).

BACCALAUREATE SUPPORT SERVICES

Scholar Leads are off to a strong start: 135 Leads are supporting over 1,900 first- and second-year Scholars across the state. Leads have hosted introductory welcome calls and begun to share campus-specific resources. One Scholar shared, *“My scholar lead is very friendly and informative. She always responds promptly and directly to any of my questions. She also makes sure to be available and lets scholars know about events. She also makes a lot of effort to get to know scholars and make them feel seen.”*

So far, Scholar Leads have reported that 63% of their Scholars have engaged with them and the resources they provide. We appear to be on track toward our mid-year goal of at least 70% of Scholars engaging with their Lead by December 31. We monitor this closely, as Scholars engaging with their Leads can be a leading indicator of persistence. For Scholars who aren't yet engaged, we are conducting individual outreach to emphasize the importance of utilizing this proven WSOS support.

Skills that Shine (StS) has begun with 333 mentor-mentee pairings, under our goal of 460 matched pairs. In the coming months, we will conduct focus groups with Scholars who chose not to participate to identify any barriers to entry. This will inform our strategy and planning for future cycles. Thank you to the Board for helping us recruit mentors from your networks!

We have hosted two in-person Industry Insider tours with our partners at Amazon and Bristol Myers Squibb and one virtual internship information session with Seattle Children's Hospital. We have additional in-person and virtual opportunities scheduled throughout the winter and spring. Our BaS job board has also launched, joining the CTS job board created last year. Over 140 Scholars from both scholarships have viewed the curated postings.

CAREER AND TECHNICAL SUPPORT SERVICES

Like BaS, CTS Scholar Leads have been welcoming and helping their Scholars. Over 30 Leads are supporting 311 Scholars. Unlike BaS, the CTS Scholar Lead program is opt-in: 56% of incoming Scholars have signed up for this program, just shy of our goal of 60%. So far, 33% of the Scholars who have opted in have engaged with their Lead, above the mid-year goal of 30%.

To build stronger relationships with Scholar Leads and reduce Lead attrition, the CTS Advisor is hosting more 1:1 meetings this academic year. Feedback has been extremely positive thus far, with Leads stating that our program expectations are clear and they know where to go for support if needed. These deeper relationships have also reminded us of the incredible academic work that Leads are doing. One Lead said, *"my program has been life changing and I now want to start a home care service after seeing how things work in the medical administration field."*

We have opened mentor recruitment for StS. For this academic year, we have iterated StS to align closer with flash mentorship, an idea that emerged from a WSOS hot topic dinner last year. Scholars will have 30-minute drop-in opportunities to ask a professional about their field or career. Our goal is to recruit 20 mentors who will then be able to support 50 Scholars early next year. Volunteers can sign up on our [website](#); please feel free to share this opportunity with your network.

ADVANCEMENT UPDATE

REVENUE TARGETS

As of November 18, 2024, we have raised \$51,303,206 of our \$75M campaign goal. We aim to secure \$60M to be ready for public launch by the end of 2025. For calendar year 2024, we've secured \$2,110,349. As discussed in the June board meeting, we revised our team goals to focus on recruiting, hiring, and onboarding key roles to build a sustainable fundraising team. We are projected to end the year with \$3M raised, which is behind our revised target of \$4M.

DONOR RETENTION AND ACQUISITION

In addition to raising revenue, the campaign's goal is to ensure stronger donor retention and broaden our scope of supporters. Key metrics we're tracking on these measures are below:

	YTD (as of 11/20/2024)	2024 CY Goal*
Donor retention 2023 to 2024	32.5%	42%

Donor loyalty	48	50
\$25k to \$1M gifts secured CY 2025	9	25

CAMPAIGN MILESTONES

The theme for OpportunityTalks, scheduled for April 1, 2025, at the Meydenbauer Center Bellevue, is **Building Tomorrow: 10,000 Opportunity Scholars Transforming Washington**. With Costco’s \$100K commitment, we are halfway to our goal of \$210K in corporate sponsorship. Speakers we have confirmed include professional emcee Tiernan Madorno, keynote speaker Talithia Williams, alumni Scholars Stephanie Ryder and Osman Salahuddin, and Board Chair Brad Smith.

While fundraising is behind target this year, we are still closing gifts and pursuing fundraising opportunities. Recent notable gifts include \$123K from the BECU Foundation, \$100K from Bristol Myers Squibb, and three gifts of \$10K+. We are pursuing grants from the M.J Murdock Charitable Trust, Lever for Change, Washington Women’s Foundation, and Woodworth Family Foundation. Additionally, we have recruited two new campaign steering committee members and anticipate hosting three to four campaign events in 2025.

We’ve successfully hired and filled all positions on the Advancement team and will have a fully staffed team as of December 16, 2024. With a full team, we anticipate our fundraising activity to ramp up in 2025.

EXTERNAL AFFAIRS UPDATE

Washington’s legislators are gearing up for a busy 2025 session. Lawmakers will contend with a budget shortfall and concerns are beginning to rise that higher education may be at risk, since it’s historically a piece of the budget that suffers during difficult budget times.

In terms of higher education policy interest, reports continue to show that credential attainment lags behind workforce needs and the state’s robust investment in creating one of the nation’s most generous financial aid isn’t enough to drive up enrollments. As a result, recent conversations to implement “Promise” style programs, or a free tuition at a community or technical college, have again picked up momentum. Our statute has been identified as one way to explore making it easier for government partners to create these Promise style programs. We will continue to work closely with legislators to understand what this means for our program.

We closed out the CTS winter/spring cycle with a record number of applicants, as noted in the Awards Administration section. Our Associate Director of Community Engagement has made an incredible impact in this work with her approach to relationship-building. New tactics have included:

- Launching a new Scholarship Champions strategy, which pays current Scholars to promote on our behalf in target communities. This allows us to be present in more spaces while also giving our Scholars valuable leadership and public-speaking experience.
- Capitalizing on other college and career readiness efforts around the state, including partnering with recipients of other workforce development grants such as the Gates Horizon Grants.
- Launched a new effort to co-brand promotional material with colleges and universities. Our first partner is St. Martin’s University, which will be featuring our scholarship in their college and career outreach efforts in the community.

DIGITAL MARKETING AND MEDIA COVERAGE

Org Outcomes	Starting audience as of July 31, 2024	Current audience as of Oct 31, 2024	End of academic year goal (June 30, 2025)	Progress towards goal
WSOS media mentions	N/A	8	32 earned media pieces	25% of goal
ED/Directors appearances in articles/panels/speaking	0	0/0	15 for ED and 7 for other leadership	0% for ED and 0% for leadership
Facebook audience	4,481	4,500	4,589 (111 new followers)	82% of goal
LinkedIn audience	2,709	2,808	2,903 (279 new followers)	49% of goal
Instagram audience	1,314	1,334	1,374 (73 new followers)	67% of goal
TOTAL social media	8,504	8,642	8,866 (463 new followers)	62% of goal

Top Performing Posts

Facebook: [The Career & Technical Scholarship is now open to students who need funding for spring or winter quarter!](#)

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Washington State Opportunity Scholarship

Published by Hootsuite

October 3

The Career & Technical Scholarship is now open to students who need funding for spring or winter quarter!

Get up to \$1,500 per quarter, every quarter, to cover more than just tuition — think housing, transportation, food, and more.

Apply by October 16, and make sure to complete your FAFSA/WASFA to be eligible. ... [See more](#)

Career & Technical
Scholarship

Get up to \$1500 per quarter

Access to mentorship program

A pathway to high-demand careers

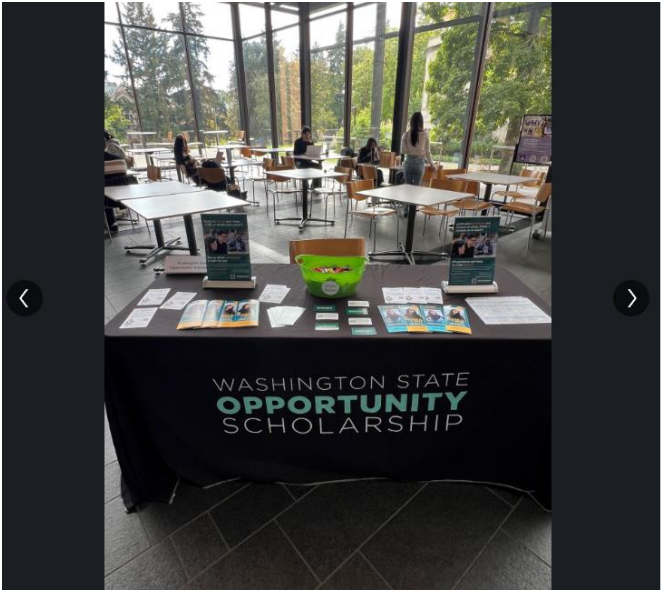
Deadline
Oct 16

[See insights and ads](#)

[Boost post](#)

LinkedIn: [We attended the UW Young Executives of Color \(YEOC\) College Resource Fair a few weeks ago](#)

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Washington State Opportunity Schola...
2,843 followers
2w • 🌐

We attended the UW Young Executives of Color (YEOC) College Resource Fair a few weeks ago. We're looking forward to seeing all the upcoming applications to our Baccalaureate and Career & Technical Scholarship in 2025!

University of Washington
16

Like Comment Repost Send

Add a comment...

Instagram: [We attended the UW Young Executives of Color \(YEOC\) College Resource Fair a few weeks ago.](#)

oppscholarship

oppscholarship

We attended the UW Young Executives of Color (YEOC) College Resource Fair a few weeks ago. We're looking forward to seeing all the upcoming applications to our Baccalaureate and Career & Technical Scholarship in 2025!

@yeocuw
@uwfosterschool

No comments yet.
Start the conversation.

View Insights Boost post

35 likes
October 28

Add a comment...

PROGRAM ADMINISTRATOR UPDATE

FINANCE

We have completed several critical milestones across accounting, treasury, compliance, and reporting functions. In accounting, we stood up core ERP processes, closed September financials, and engaged an outsourced accounting firm to assist with general bookkeeping. We also implemented a budget tool that integrates with actuals and provides detailed reporting by expense project and scholarship. On the treasury front, we have invoiced the state for \$7.5M in state match donations and are working to streamline treasury functions to enhance efficiency and effectiveness in managing cash and financial resources. For compliance, our efforts in the next quarter will include engaging Clark Nuber for audit and tax support, standardizing the monthly close process to ensure accurate and timely reporting, evaluating the impact of the scholarship program liability calculation, and finalizing our financial and cash positions with 501 Commons. In terms of reporting and analysis, we are committed to delivering comprehensive reports that support program teams and compliance needs, focusing on ensuring all our systems are appropriately accounted for in our financials.

HUMAN RESOURCES

The HR function for the program administrator is up and running. We are actively recruiting for an HR Specialist to join our team and look forward to welcoming a new member in the next few months. We continue to collaborate with the consulting team of HR experts at OneDigital; they have been moving us through a holistic HR assessment to help us identify areas for improvement organization-wide. Some of our first assessment projects this quarter have included ensuring all required legal posters and notices are accessible for employees, revamping our reasonable accommodation request process, and improving processes for onboarding and hiring both to protect the organization and provide an optimal staff experience. We're currently in the open enrollment period for employees to make their elections for the 2025 calendar year, and our benefits partners and brokers have been responsive and helpful.

Top activities for the upcoming quarter include: 1) a market survey to inform compensation decisions, which is conducted every two years; 2) conducting annual updates to our handbook to align with calendar-year regulations and requirements; and 3) closing out the HR assessment with OneDigital to ensure we are following best practices.

EXECUTIVE DIRECTOR SEARCH

We are nearly two months into our partnership with search firm Egon Zehnder (EZ) to help us find WSOS's next Executive Director. Egon Zehnder has a global reach with a strong presence in Washington state. Our two account consultants are actively recruiting prospective candidates. As of November 20, they have engaged with 26 potential candidates. This group includes priority prospects we sent them, select individuals who applied for the role organically, and prospective candidates they have identified through recruiting efforts. We are seeing a robust and diverse applicant pool emerge, with candidates from various backgrounds and industries. We will discuss the search in greater depth during the Board meeting.

STAFFING UPDATES

Garry Hoffman, CPA (he/him), joined the WSOS Foundation team as the Finance Director on October 28. He started his career as an accounting manager in Denali National Park. A master's degree at Montana State University led him to work at Clark Nuber, a CPA firm in Bellevue, WA. For the past six years, he was the director of finance for a Seattle e-commerce company focused on risk management, tax compliance, and systems implementations.

Cascade Lawrence-Yee (She/Her) joined the Advancement team as the Development Officer on November 18. She brings a depth of educational knowledge and operations experience. Cascade spent several years as a public-school teacher and worked in non-profits supporting their operations. These experiences have shaped her understanding of educational equity, and we are excited for her to bring these skills to our team.

Grace Park (she/her) began supporting WSOS as a temporary Executive Assistant on September 30. She was hired as the Executive Assistant on November 18. Grace has over 10 years of administrative professional experience in the health care, nonprofit, and research sectors. She holds a bachelor's degree in psychology from the University of Washington, complemented by a certificate in fiscal management from the UW Professional & Organizational Development program.

IT AND DATA & SYSTEMS

We're working closely with our IT managed services provider to ensure all staff get the support they need. We've also made progress in improving our cybersecurity position by rolling out a VPN for all staff and for select vendors with access to sensitive PII. We're now in the process of scheduling regular security awareness training for all staff to make sure protecting our data and systems is at the top of everyone's mind – not just IT. We're grateful to Microsoft for helping review our cyber security practices to ensure they are aligned with best practices.

We've added more automation to application processing to improve consistency and reduce the opportunity for errors. This pairs nicely with the Awards team audits on application processing before selection is finalized for each of our scholarships. We're also working with the Awards team to improve our systems for tracking GRD practicum participation and stipend management. The current process was more manageable when GRD had fewer Scholars, but as the numbers increase the need for a better system has arisen. We've finalized our Case Management roll-out and all our shared inboxes are now being tracked and managed in a shared system. Since we launched Case Management in March, WSOS has responded to and closed over 5,800 cases (emails) submitted by Scholars, volunteers, applicants, and others. Staff are closing cases in an average of a half day, with an initial response time of 2.8 hours. We're also now able to track case trends so we can better understand where we can communicate better.

FINANCE & INVESTMENT COMMITTEE UPDATE 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 November 2024 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. Five members participated (56%); they reported the following average scores:

1. They understand the committee's purpose & responsibilities: 5.0
2. The actions taken by the committee align with its purpose & responsibilities: 4.8
3. Meeting agendas support the committee's purpose & responsibilities: 4.2
4. Pre-read materials support the committee's purpose & responsibilities: 4.4
5. The WSOS Board of Directors supports and endorses the committee: 5.0

These scores are on par with prior years with slight increases in responses to questions one and five and slight decreases in responses to questions three and four. Members shared reflections on what's working well. Themes included consistency and engaged participants. For instance, one member wrote: “Staff, WSIB, and F&I Committee members are engaged and motivated to support WSOS.” Another person wrote: “The consistent reporting format/agenda helps us understand and discuss the important changes (planned and unplanned).”

Members were also asked about what could be better, and there was a clear theme: improved financial reporting. One member wrote: “I think we all want the financial reporting to be more accurate and instill confidence.”

Lastly, members were asked about goals for 2025. All respondents reiterated the importance of improving financial reporting. One member wrote: “Establish and maintain clear financial reporting and underlying

procedures so that we can focus on the substance of the numbers rather than the accuracy of them.” Other goals that were mentioned include a successful transition from 501 Commons to the WSOS Foundation and receiving all remaining financial items from 501 Commons.

The evaluation in its entirety is available upon request to any Board member.

BOARD RESOLUTION:
PROGRAM EXPENSE RATIO RANGE

***Proposed to the Washington State Opportunity Scholarship Board of Directors
December 9, 2024***

Background. A program expense ratio (program expense / total expenses) evaluates mission efficacy by calculating a percentage that reflects the proportion of funds directed to program costs within an organization's total expenses. Total expenses are inclusive of both program and administrative costs. Credible sources consider a program expense ratio of 65% and above good, and 85% and above excellent. The program expense ratios for the 2023 and 2024 WSOS budgets were 90% and 89%, respectively.

Problem statement. While WSOS has maintained an excellent program expense ratio, we would benefit from a codified range that defines our continued success. We want to maintain our excellent status to reinforce the confidence of funders and key stakeholders. On the other hand, members of the Finance & Investment (F&I) Committee and Board felt it important the program does not sacrifice quality or innovation in service of keeping expenses low and recommended WSOS consider a range rather than simply a floor for this ratio. Another benefit of having a range is providing flexibility so that we can account for minor variances from year to year. The F&I Committee suggested a range of 85%-92% at the Q2 2024 meeting. This range would keep the low end of the ratio within the "excellent" category described above while the top end of the range is just slightly higher than the budgets approved in 2023 and 2024.

Proposed resolution. Budgets submitted for WSOS Board approval will include a program expense ratio between 85% and 92%.

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Program Update

ANNUAL SELF-EVALUATION

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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 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.

2024 Results

Members were asked to rate on a scale of 1 to 5 (1=not at all; 5=completely)

Five members participated (56%)

1. Members understand the committee's purpose & responsibilities: 5.0
2. The actions taken by the committee align with its purpose & responsibilities: 4.8
3. Meeting agendas support the committee's purpose & responsibilities: 4.2
4. Pre-read materials support the committee's purpose & responsibilities: 4.4
5. The WSOS Board of Directors supports and endorses the committee: 5.0

Scores on par with prior years with slight increases in responses to questions 1 and 5, and slight decreases in responses to questions 3 and 4

SELF-EVALUATION RESULTS CONTINUED

What's working well:

- Themes included consistency and engaged participants
- *“Staff, WSIB, and F&I Committee members are engaged and motivated to support WSOS.”*
- *“The consistent reporting format/agenda helps us understand and discuss the important changes (planned and unplanned)”*

What could be better:

- Overwhelming theme of improved financial reporting
- *“I think we all want the financial reporting to be more accurate and instill confidence.”*

Recommended goals for 2025:

- All respondents reiterated the importance of improving financial reporting.
- *“Establish and maintain clear financial reporting and underlying procedures so that we can focus on the substance of the numbers rather than the accuracy of them.”*
- Other goals mentioned include a successful transition from 501 Commons to the WSOS Foundation and receiving all remaining financial items from 501 Commons.

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 or Board to know?

WSOS ED Search

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WSOS Executive Director Search

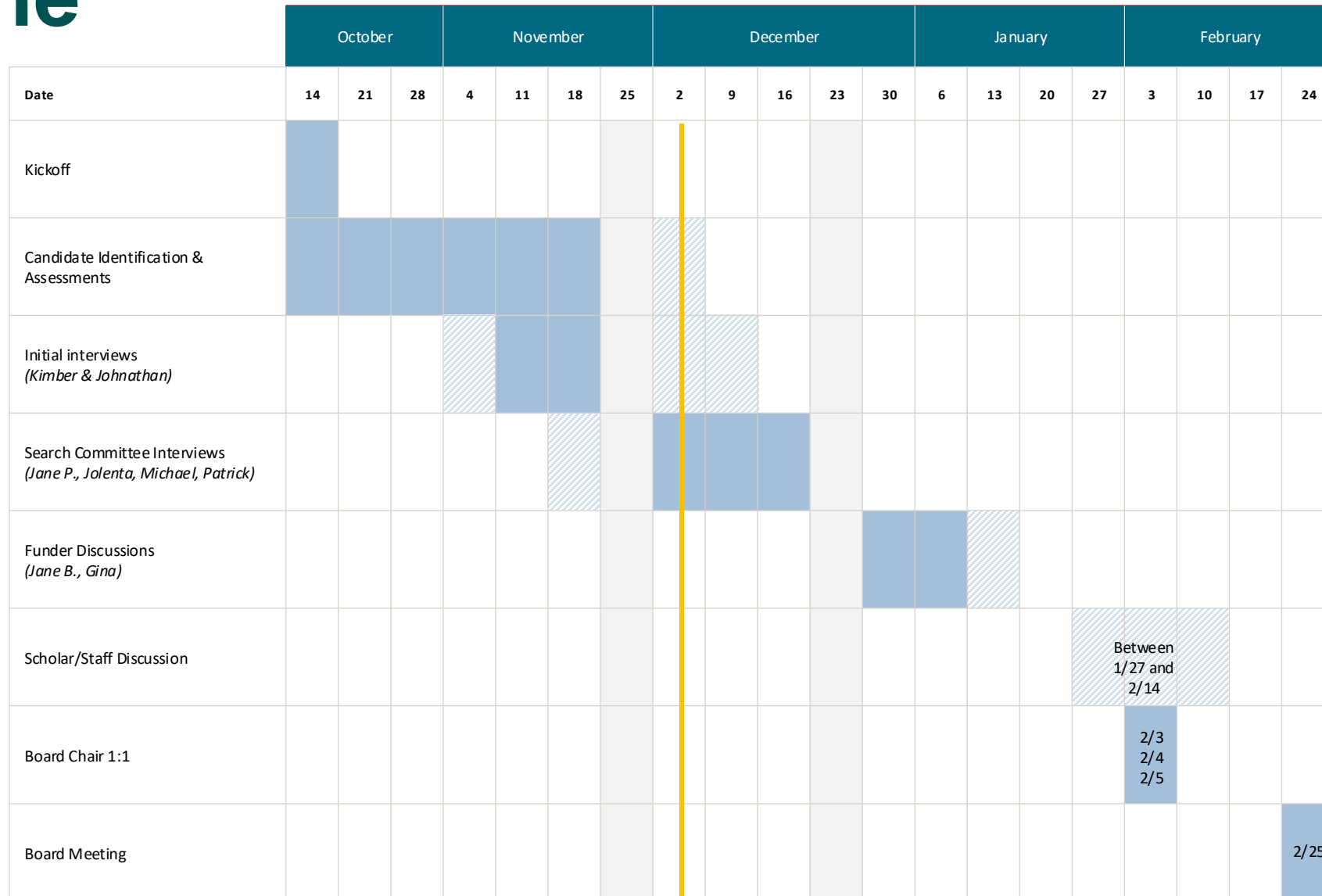
- **Key similarities**

- Job announcement content (with new firm branding)
- Salary range
- Interview timeline and stakeholders

- **Key differences**

- New search firm: Egon Zehnder
- Expanded reach
- Interview loops

Timeline



How the Search is Going

- **Promising start**

- Egon Zehnder has engaged with ~30 potential candidates
- Includes our priority prospects, candidates they have recruited, and select individuals who applied online

- **Robust and diverse applicant pool emerging**

- Variety of lived experiences
- Examples of orgs where they've worked: Microsoft, Boeing, Amazon, United Way of King County, and other nonprofits

- **Current step: early interviews**

PROPOSED JAN - JUNE 2025 BUDGET

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PROPOSED JAN-JUNE 2025 BUDGET

	Jan-June 2024 Budget	Jan-June 2025 Proposed	Variance 2024 v. 2025
REVENUES	2,743,300	6,803,100	4,059,800
SCHOLARSHIP EXPENSES	1,330,535	-2,188,420	-3,518,955
TOTAL NON-SCHOLARSHIP EXPENSES	3,422,288	3,304,077	-118,211
SCHOLAR LEADS	229,390	246,156	16,766
SALARIES, TAXES, BENEFITS	1,992,027	1,726,502	-265,525
CONSULTING, PROFESSIONAL SERVICES & LOBBYING	201,510	195,915	-5,595
PROGRAM ADMIN FEE	475,950	704,976	229,026
ALL OTHER OPERATING COSTS	523,411	430,528	-92,883

Represents 88% programs; 12% operational spending.

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SIX MONTH NUANCES

- Recommending six months due to **fiscal year change**; next fiscal year starts on July 1, 2025
- Negative scholarship expense due to moving CTS spring selection from Q1 to the prior Q4
 - Result is that all scholarships are booked in Q3 and Q4
 - Without a disbursement in Jan-June 2025, **-\$2.2M reflects the refunds we expect to receive**
- **Program expense ratio based on full year**

CAMPAIGN CONTINUES

- **Adjusted our expected contributions**, and our revenue reflects that
- Anticipated revenue from **private gifts** is \$1.2M; this is **down** from the \$1.45M budgeted in Jan-June 2024
- **Positive \$4M variance** due to state match booking
 - Did not book a state match in Jan-June 2024
 - **Booked \$4.3M state match for Jan-June 2025**
 - WSOSF Finance team is aware of booking inconsistency and plans to address it on a go-forward

Reminder: major giving & investment strategy means revenues don't equal expenses in most years at WSOS.

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SLIGHT PERSONNEL INCREASE

- While salaries, taxes & benefits *appear* down by \$266K, they're **up** by \$61K (3.7%)
- **Key decreases**
 - -\$327K reflective of WSOSF staff moving to PA fee
 - -\$60K due to favorable adjusted payroll tax and reduction of External Affairs Director from 1.0 FTE to 0.6 FTE
- **Key increases**
 - ~\$45K for COLA (anticipating 3%, will align with CPI)
 - \$71K for **two new roles** (1.6 FTE, factoring in reduction above)
 - **Promotion:** we're saying no to high impact opportunities and consistently behind in our targeted demographics
 - **Awards:** we need to right-size support based on increased cohort sizes, funding complexities, and helping more Scholars remain eligible

PROGRAM ADMINISTRATOR FEE AS EXPECTED

- **\$705K proposed aligns with budget numbers we've presented**
- **\$229K increase largely due to WSOSF staff compensation that came from WSOS salaries, taxes, and benefits**

OVERALL, NON-SCHOLARSHIP SPENDING DOWN BY \$118K (3.5%)

- Scholar Lead costs are **up** by \$17K
 - Lower than the \$44K increase we anticipated
 - Reflective of more Leads than Jan-June 2024, plus background checks
- Consulting, professional services & lobbying are **stable** (down \$6K)
- Other operating costs are **down** by \$93K; **key decreases** are
 - -\$28K, new PA finance build out
 - -\$28K, OTalks/Campaign videography
 - -\$25K, internal audit
 - -\$10K, Scholar photo shoot for collateral library

DISCUSSION

- What concerns do you anticipate the Board having about the 2025 budget proposal?

PROGRAM EXPENSE RATIO RANGE

- **Board Resolution** available in pre-read
- Goals:
 - **Maintain our excellent status** to reinforce the confidence of funders and key stakeholders
 - Adopt a range so that the **program does not sacrifice quality or innovation** in service of keeping expenses low
- Reflects the **85-92% range** discussed in the Q2 2024 meeting

MOVING REVIEW OF COHORT MODEL

- Committee previously agreed to **review the cohort model** during this meeting
- Due to **continued delays** with financial reporting from 501 Commons and the lingering impact on our Finance function, we request to **review the cohort model during the Q1 2025 meeting**

REQUESTED COMMITTEE ACTION

- Vote to recommend the WSOS Board approve the January to June 2025 proposed budget
- Vote to recommend the WSOS Board adopt the Program Expense Ratio Range Board Resolution
- Vote to move review of the cohort model to Q1 2025 meeting