



Financial Statements

For the Years Ended December 31, 2018 and 2017

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## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of Washington STEM (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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## **Opinion**

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

## **Effect of Adopting New Accounting Standard**

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

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The program-level information included in the statements of financial position, statements of activities and changes in net assets, and statements of cash flows on pages 3 through 6 and pages 9 and 10, as well as the accompanying schedules of functional expenses by program shown on pages 24 through 26 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Clark Nuber P.S.*

Certified Public Accountants  
March 15, 2019

WASHINGTON STEM

Statement of Financial Position  
December 31, 2018

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

See accompanying notes.

WASHINGTON STEM

Statement of Financial Position  
December 31, 2017

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

See accompanying notes.

**WASHINGTON STEM**

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

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

See accompanying notes.

**WASHINGTON STEM**

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

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

See accompanying notes.



WASHINGTON STEM

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

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

See accompanying notes.

WASHINGTON STEM

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

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

See accompanying notes.

**WASHINGTON STEM**

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

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

See accompanying notes.

**WASHINGTON STEM**

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

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

See accompanying notes.

## WASHINGTON STEM

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

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#### Note 1 - Significant Accounting Policies

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

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

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

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

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

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

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

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

## WASHINGTON STEM

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

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#### Note 1 - Continued

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

#### Revenue Recognition -

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

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

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

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

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

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

## WASHINGTON STEM

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

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#### Note 1 - Continued

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

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

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

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

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

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

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

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

## WASHINGTON STEM

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

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#### Note 1 - Continued

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

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

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

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

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

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

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

**Subsequent Events** - The Organization has evaluated subsequent events through March 15, 2019, the date on which the financial statements were available to be issued.



## WASHINGTON STEM

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

#### Note 2 - Pledges Receivable

Pledges receivable were as follows at December 31:

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

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

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

#### Note 3 - Investments - WSOS

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

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

## WASHINGTON STEM

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

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#### Note 3 - Continued

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

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

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

#### Note 4 - Fair Value Measurements

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

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

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

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

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

WASHINGTON STEM

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

Note 4 - Continued

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

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

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

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

## WASHINGTON STEM

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

#### Note 5 - Furniture, Fixtures and Equipment

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

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

#### Note 6 - Scholarship Commitments Liability - WSOS

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

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

## WASHINGTON STEM

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

#### Note 7 - Net Assets With Donor Restrictions

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

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

#### Note 8 - WSOS Endowment

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

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

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

## WASHINGTON STEM

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

#### Note 8 - Continued

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

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

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

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

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

## WASHINGTON STEM

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

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#### Note 8 - Continued

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

#### Note 9 - Office Space Agreements

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

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

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

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

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

#### Note 10 - Retirement Plan

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

## WASHINGTON STEM

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

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#### Note 10 - Continued

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

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

#### Note 11 - Liquidity and Availability of Financial Assets

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

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

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

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

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

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

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



WASHINGTON STEM

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

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Note 11 - Continued

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

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

**SUPPLEMENTARY INFORMATION**

WASHINGTON STEM

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

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

See independent auditor's report.

WASHINGTON STEM

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

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

See independent auditor's report.

WASHINGTON STEM

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

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

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