

CollegeInvest College Savings Program Funds
Financial Statements and Independent Auditor's Reports
Financial Audit
Years Ended June 30, 2014 and 2013
Compliance Audit
Year Ended June 30, 2014

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December 4, 2014

Members of the Legislative Audit Committee:

We have completed the financial statement audits of CollegeInvest College Savings Program Funds as of and for the years ended June 30, 2014 and 2013. Our audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We were engaged to conduct our audits pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

BKD, LLP

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CollegInvest
College Savings Program Funds
June 30, 2014

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CollegInvest
College Savings Program Funds
Year Ended June 30, 2014

REPORT SUMMARY

Purposes and Scope

The Office of the State Auditor, State of Colorado, engaged BKD, LLP to conduct the financial and compliance audit of CollegInvest (a division of the Department of Higher Education, State of Colorado) College Savings Program Funds as of and for the year ended June 30, 2014. BKD, LLP performed the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The purposes and scope of our audits were to (i) express opinions on each fiduciary fund of CollegInvest College Savings Program Funds as of and for the fiscal years ended June 30, 2014 and 2013 and (ii) issue a report on CollegInvest College Savings Program Funds' internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audits of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2014.

Audit Opinions and Reports

We expressed unmodified opinions on each fiduciary fund of CollegInvest College Savings Program Funds as of and for the years ended June 30, 2014 and 2013.

Summary of Key Findings and Recommendations

There were no findings for the year ended June 30, 2014.

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no findings for the year ended June 30, 2013.

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CollegeInvest
College Savings Program Funds
Year Ended June 30, 2014

**DESCRIPTION OF
COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS**

Organization

The Colorado General Assembly pursuant to Colorado Revised Statutes 23-3.1-201, et seq. and 23-3.1-301, et seq. established a student obligation bond program (Student Loan Program Funds which consist of the Borrower Benefit Fund and Bond Funds), a post-secondary education expense program (Prepaid Tuition Fund), an Internal Revenue Code Section 529 college savings program (Scholars Choice Fund, Direct Portfolio Fund, Smart Choice College Savings Funds, and Stable Value Plus Fund), a scholarship trust program (CollegeInvest Early Achievers Scholarship Fund), a nursing teacher loan forgiveness program (Nursing Teacher Loan Forgiveness Fund), and a Financial Need Scholarship Fund, which are administered by CollegeInvest. The programs assist students in meeting the expenses incurred in availing themselves of higher education opportunities. The Executive Director of the Colorado Department of Higher Education has responsibility for oversight and management of CollegeInvest and appoints the Director of CollegeInvest. In addition, CollegeInvest has a nine person Advisory Board of Directors (Board) designated by the Governor with the consent of the State Senate to serve four year terms.

The College Savings Program Funds were established to provide families with an opportunity to save for future college education expenses. The Funds provide an opportunity to invest on a tax-favored basis toward the “qualified higher education expenses” of a designated beneficiary (the Student) associated with attending an institution of higher education. These institutions include most community colleges, public and private four-year colleges, universities, graduate and post-graduate programs, and certain proprietary and vocational schools throughout the United States. “Qualified higher education expenses” include tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a student at an eligible institution of higher education plus, subject to certain limitations, room and board expenses for a student attending such an institution on at least a half-time basis.

The College Savings Program Funds consist of four funds with various options to meet the savings needs of participants. The individual funds and available options are described throughout these financial statements and in greater detail in the notes to the financial statements.

CollegInvest
College Savings Program Funds
Year Ended June 30, 2014

**DESCRIPTION OF
COLLEGEINVEST
COLLEGE SAVINGS PROGRAM FUNDS (continued)**

The Colorado Constitution and other State laws prohibit the State from providing its full faith and credit to obligations of other entities, such as the College Savings Program Funds. As a result, payments from the College Savings Program Funds are not guaranteed in any way by the State, and are not considered to have created a debt or obligation of the State. Such payments are limited obligations, payable from each College Savings Program Fund, but not from the other assets of CollegInvest.

Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying basic financial statements of each fiduciary fund of CollegeInvest College Savings Program Funds (the Funds) (a division of the Department of Higher Education, State of Colorado) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise CollegeInvest College Savings Program Funds' basic financial statements listed in the table of contents.

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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of each fiduciary fund of CollegeInvest College Savings Program Funds as of June 30, 2014 and 2013, and the respective changes in fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, Organization and Summary of Significant Accounting Policies, the financial statements of the CollegeInvest College Savings Program Funds are intended to present the net position, and the changes in net position for only that portion of the financial reporting entity, State of Colorado, that is attributable to the transactions of the CollegeInvest College Savings Program Funds. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2014 and 2013, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CollegeInvest College Savings Program Funds' basic financial statements. The accompanying supplementary information – combining schedules for the Scholars Choice Fund, Direct Portfolio Fund, and Smart Choice Fund listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of CollegeInvest College Savings Program Funds' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CollegeInvest College Savings Program Funds' internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
December 4, 2014

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CollegInvest
College Savings Program Funds
Management’s Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

This section of the College Savings Program Funds’ (Funds) financial statements is a discussion and analysis of the financial performance of the Funds for the years ended June 30, 2014 and 2013, prepared by management. The Funds are Internal Revenue Code (IRC) Section 529 college savings plans administered by CollegInvest. CollegInvest, a division of the Department of Higher Education of the State of Colorado, administers the Funds, the Student Loan Program Funds, and the Prepaid Tuition Fund. The Scholars Choice, Direct Portfolio, Stable Value Plus, and Smart Choice Funds are plans within the Section 529 college savings program of CollegInvest (Program). The Funds are presented as fiduciary funds (specifically, private-purpose trust funds) in the State of Colorado Comprehensive Annual Financial Report. Management is responsible for the financial statements, footnotes, and this discussion. The management’s discussion and analysis should be read in conjunction with the Funds’ financial statements.

Overview of the Financial Statements:

This annual report contains two sections – management’s discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, and the Notes to Financial Statements. The Notes to Financial Statements present additional information to support the financial statements and are commonly referred to as “Notes.” Their purpose is to clarify and expand on the information in the financial statements.

The Statement of Fiduciary Net Position presents information on all of the Funds’ assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial results of the Funds are improving or deteriorating.

The Statement of Changes in Fiduciary Net Position presents information that reflects how the Funds’ net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, additions to and deductions from net position are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Analysis of Financial Activities:

The Executive Director of the Department of Higher Education of the State of Colorado (Executive Director) and CollegInvest’s Board of Directors (BOD) approve the annual budget. The BOD approves the investment policies of the Funds. The Scholars Choice Fund began operations and accepting participant contributions in October 1999. The Stable Value Plus Fund began accepting participant contributions in February 2003. The Direct Portfolio Fund began operations in October 2004. The Smart Choice Fund began operations and accepting contributions in October 2009.

CollegelInvest
College Savings Program Funds
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Analysis of Financial Activities (continued):

Scholars Choice Fund:

CollegelInvest has an agreement with Legg Mason Global Asset Allocation, LLC (LMGAA) and Legg Mason Investor Services, LLC (LMIS) to manage the advisor sold accounts of the Scholars Choice Fund (SCF). Both LMGAA and LMIS are wholly owned subsidiaries of Legg Mason, Inc. LMIS is responsible for performing or arranging for the performance of administrative duties and record-keeping functions, and Legg Mason Global Asset Allocation, LLC (LMGAA) performs investment advisory functions for the SCF. As of May 30, 2014, Legg Mason acquired QS Investors (QS), a leading customized solutions and global quantitative equities manager. It was also announced that QS and LMGAA will become part of a combined investment platform in order to leverage the firms' combined multi-manager asset allocation and quantitative equity expertise. On June 30, 2014, LMGAA's name was changed to QS Legg Mason Global Asset Allocation, LLC (QSLMGAA). The agreement with QSLMGAA is for management of the advisor sold accounts only and expires on December 31, 2022, subject to possible extension.

CollegelInvest acts as trustee to the SCF, and QSLMGAA holds the assets of the SCF in a segregated custody account. Assets of the SCF are held "in trust" for the exclusive benefit of account owners and beneficiaries. The SCF offers 13 investment options in which participants may invest. Each investment option is comprised of one or more of the 15 portfolios within the SCF. The investment return for the SCF is based on the market performance of underlying investments. These investment options are designed to help meet diverse investment goals of investors.

Direct Portfolio Fund:

CollegelInvest entered into an agreement with Upromise Investments, Inc. and The Vanguard Group, Inc. (Managers) to provide administrative and record-keeping duties to the Direct Portfolio Fund (DPF). The contract expires on December 31, 2024, subject to possible extension.

CollegelInvest acts as trustee to the DPF, and the Managers hold the assets of the DPF in a segregated custody account. Assets of the DPF are held "in trust" for the exclusive benefit of account owners and beneficiaries. The investment return for DPF is based on the market performance of investments. DPF offers 11 investment options, including three age-based options and eight blended and individual portfolios, in which participants may invest. Each investment option is comprised of one or more of the eight portfolios within DPF. These investment options are designed to help meet diverse investment goals of investors.

CollegeInvest
College Savings Program Funds
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Analysis of Financial Activities (continued):

Stable Value Plus Fund:

CollegeInvest administers the Stable Value Plus Fund. CollegeInvest entered into a funding agreement in January 2003 (MetLife Agreement) with MetLife Insurance Company of Connecticut (MetLife), a wholly owned subsidiary of MetLife, Inc., to provide a guarantee on the principal and earnings of the Stable Value Plus Fund (SVP). The SVP offers an investment return based on an interest rate that is reset annually by MetLife each January 1. The agreement expires on December 31, 2017, with the option to extend two additional one-year periods.

Under the MetLife Agreement, MetLife has agreed that the annual interest rate calculated each year will not be less than the greater of (i) the Colorado minimum nonforfeiture interest rate for annuity contracts (currently 3.00%), or (ii) 2.00%. The current minimum investment return on accounts in the SVP could be as low as 2.01%, which is the current minimum annual rate of 3.00% less the maximum CollegeInvest administrative fee of 0.99%. The rate, net of CollegeInvest's administrative fee, has been as follows:

<u>Date</u>	<u>Rate</u>
July 1 – December 31, 2011	2.90%
January 1, 2012 – December 31, 2013	3.04%
January 1, 2014 – June 30, 2014	2.64%

Smart Choice Fund:

On October 21, 2009, CollegeInvest entered into an agreement with FirstBank Holding Company (FirstBank), a Colorado banking company, to begin offering a college savings option called the Smart Choice College Savings Plan (SCCS). CollegeInvest acts as trustee for the Plan and FirstBank provides administrative and record-keeping duties. The Plan is being offered to provide an additional tax-advantaged savings vehicle for participants to utilize in saving for post-secondary education by providing the benefits of a 529 plan along with the stability and security of an FDIC insured bank. The product offerings through the SCCS are a One-Year Time Savings Plan and a Money Market Savings Plan. The agreement expires September 30, 2019, with an option to extend for up to two additional two-year periods.

The interest rate paid on amounts deposited into the money market savings account and the one-year time saving account will be established by FirstBank. However, the rates for each type of account must not be less than 0.10% of the interest rate publicly offered directly by FirstBank on similar money market and savings accounts. The rates are variable and are published daily by FirstBank on their website. The interest rate will be calculated, and may be adjusted if needed,

CollegInvest
College Savings Program Funds
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Analysis of Financial Activities (continued):

Smart Choice Fund (continued):

every Wednesday and on the first day of each month, and is net of all administrative and other charges of FirstBank. The average interest rate paid during fiscal years 2014 and 2013 was 0.14% for both years.

Comparison of Current Year Results to Prior Year:

Condensed Statements of Fiduciary Net Position as of June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(dollar amounts expressed in thousands)		
Cash and investments	\$ 5,903,085	\$ 4,975,367	\$ 4,329,502
Receivables and other	11,511	12,355	11,902
Total fiduciary assets	5,914,596	4,987,722	4,341,404
Total liabilities	12,446	13,499	12,078
Total fiduciary net position, held in trust	<u>\$ 5,902,150</u>	<u>\$ 4,974,223</u>	<u>\$ 4,329,326</u>

Combined cash and investments of the Program increased by \$927.7 million, or 18.7%, from June 30, 2013 to June 30, 2014, due primarily to net contributions (participant contributions less benefits paid to participants and withdrawals) of \$243.5 million and investment earnings and fees of \$711.2 million, which were offset by administrative expenses of \$27.3 million. Combined cash and investments of the Program increased by \$645.9 million, or 14.9%, from June 30, 2012 to June 30, 2013, due primarily to net contributions (participant contributions less benefits paid to participants and withdrawals) of \$202.0 million and investment earnings and fees of \$466.9 million, which were offset by administrative expenses of \$24.8 million.

Receivables consist primarily of receivables for fund shares sold, receivables for investments sold, dividends and interest receivable, and due from Student Loan Program Funds. Receivables decreased by \$844,000 in 2014 and increased by \$453,000 in 2013. The decrease as of June 30, 2014 is due to the receivables for fund shares and investments sold at year-end being lower than the prior year. The increase as of June 30, 2013 is due to the receivable from the Student Loan Program Funds to reimburse expenses at year-end being higher than the prior year.

CollegInvest
College Savings Program Funds
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Comparison of Current Year Results to Prior Year (continued):

Liabilities consist of amounts payable for investments purchased, amounts payable for fund shares repurchased, service and investment fees payable, unearned revenue, and due to participants. Total liabilities decreased by \$1.1 million in fiscal year 2014 and increased by \$1.4 million in fiscal year 2013. The fluctuation in both years is primarily due to the amount of the payables for investments purchased and the amounts payable for fund shares repurchased in the SCF. The year-to-year changes are a reflection of investment decisions made by the participants and the corresponding action taken by the plan manager to process the required transactions.

Condensed Statements of Changes in Fiduciary Net Position for the Years Ended June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(dollar amounts expressed in thousands)		
Net investment earnings	\$ 711,192	\$ 466,940	\$ 133,053
Participant contributions	740,958	659,903	551,687
Fees	745	939	712
Total additions	<u>1,452,895</u>	<u>1,127,782</u>	<u>685,452</u>
Benefits paid to participants and withdrawals	497,459	457,860	400,638
Administrative, marketing and service fee expense	27,310	24,797	22,658
Total deductions	<u>524,769</u>	<u>482,657</u>	<u>423,296</u>
Change in fiduciary net position before transfers	928,126	645,125	262,156
Transfers and change in due to participants	(199)	(228)	386
Change in net position	<u>927,927</u>	<u>644,897</u>	<u>262,542</u>
Fiduciary net position, beginning of year	4,974,223	4,329,326	4,066,784
Fiduciary net position, end of year	<u><u>\$ 5,902,150</u></u>	<u><u>\$ 4,974,223</u></u>	<u><u>\$ 4,329,326</u></u>

CollegelInvest
College Savings Program Funds
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Comparison of Current Year Results to Prior Year (continued):

Net investment earnings are comprised of dividends, interest earnings, net realized and unrealized gains and losses from security transactions less investment fees. Net realized and unrealized gains and losses on security transactions were \$576.8 million, \$348.7 million and \$36.3 million for the years ended June 30, 2014, 2013 and 2012, respectively. Increases and decreases in net realized and unrealized gains and losses on security transactions reflect market conditions during each corresponding year. Investment returns are also dependent on individual investor behavior and the timing of benefits paid to participants as funds are utilized to pay for college or withdrawals. Interest and dividend earnings were \$136.3 million, \$119.9 million and \$98.3 million for the years ended June 30, 2014, 2013 and 2012, respectively. Interest and dividend earnings primarily reflect overall economic conditions and the investment holdings during each year. The Program participant contributions, net of benefits paid to participants and withdrawals, increased by \$41.5 million to \$243.5 million for the year ended June 30, 2014, and increased by \$51.0 million to \$202.0 million for the year ended June 30, 2013.

Participant contributions and benefits paid to participants and withdrawals were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(dollar amounts expressed in thousands)		
Participant contributions			
Scholars Choice Fund	\$ 357,115	\$ 331,420	\$ 284,787
Direct Portfolio Fund	316,145	277,240	231,476
Stable Value Plus Fund	36,148	24,916	18,381
Smart Choice Fund	31,550	26,327	17,043
Total participant contributions	<u>740,958</u>	<u>659,903</u>	<u>551,687</u>
Benefits paid to participants and withdrawals			
Scholars Choice Fund	305,822	296,763	271,222
Direct Portfolio Fund	150,483	129,849	106,887
Stable Value Plus Fund	17,557	14,244	12,417
Smart Choice Fund	23,597	17,004	10,112
Total benefits paid to participants and withdrawals	<u>497,459</u>	<u>457,860</u>	<u>400,638</u>
Net participant contributions	<u>\$ 243,499</u>	<u>\$ 202,043</u>	<u>\$ 151,049</u>

CollegeInvest
College Savings Program Funds
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Comparison of Current Year Results to Prior Year (continued):

Participant contributions were 13.6%, 14.2% and 13.1% of average net position for the years ended June 30, 2014, 2013 and 2012, respectively. Benefits paid to participants and withdrawals were 9.1%, 9.8% and 9.5% of average net position for the years ended June 30, 2014, 2013 and 2012, respectively.

Fees are primarily comprised of funds received from Legg Mason and the Managers for marketing and promotion of the Funds. CollegeInvest utilized \$336,000 and \$379,000 in fees from Legg Mason and the Managers, respectively, for the year ended June 30, 2014. CollegeInvest utilized \$431,000 and \$486,000 in fees from Legg Mason and the Managers, respectively, for the year ended June 30, 2013.

Administrative and service fees are charged to participants as a percentage of net position based on the investment option chosen. These charges were approximately 0.5% of average net position for the years ended June 30, 2014, 2013 and 2012.

Economic Factors:

- Performance of individual participant accounts and individual portfolios within the Program is dependent on risk factors associated with market-based investments. Fair market valuation of participant accounts may fluctuate based on market performance.
- Amounts contributed to the Program by participants may be more or less than the amounts needed by beneficiaries to attend a particular institution of higher education and do not guarantee acceptance into any institution of higher education.
- Participants are responsible for selecting portfolios in accordance with their risk tolerance. The Program does not guarantee return of principal or a certain investment rate of return on investments. Under the MetLife and FirstBank agreements, the return of principal and certain investment rates of return are guaranteed for the SVP and the SCCS, respectively.

Requests for Information:

This report is designed to provide a general overview of the Funds' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Wendy Hause, Chief Financial Officer, CollegeInvest, 1560 Broadway, Suite 1700, Denver, Colorado 80202.

CollegInvest
College Savings Program Funds
Statements of Fiduciary Net Position
June 30, 2014 and 2013
(Dollar amounts expressed in thousands)

	2014					2013				
	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Smart Choice Fund	Total Private- Purpose Trust Funds	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Smart Choice Fund	Total Private Purpose Trust Funds
Fiduciary assets:										
Cash and cash equivalents	\$ -	\$ -	\$ 176	\$ 34,377	\$ 34,553	\$ -	\$ -	\$ 197	\$ 26,297	\$ 26,494
Investments, at fair value	3,567,447	2,222,785	78,300	-	5,868,532	3,102,394	1,788,640	57,839	-	4,948,873
Receivable for portfolio units sold and investments sold	4,069	-	-	-	4,069	5,873	-	-	-	5,873
Interest receivable	4	1,320	-	-	1,324	4	1,095	-	-	1,099
Due from plan managers	174	109	132	3	418	154	88	97	2	341
Due from (to) Student Loan Program Funds	4,839	914	(50)	(3)	5,700	4,408	648	(13)	(1)	5,042
Total fiduciary assets	3,576,533	2,225,128	78,558	34,377	5,914,596	3,112,833	1,790,471	58,120	26,298	4,987,722
Liabilities:										
Accounts payable	18	12	22	-	52	81	46	5	1	133
Payable for portfolio units repurchased and investments purchased	4,037	-	169	-	4,206	5,930	-	219	-	6,149
Service and investment fees payable	1,581	602	-	-	2,183	1,451	594	-	-	2,045
Unearned revenue	2,034	1,010	-	-	3,044	1,720	690	-	-	2,410
Due to participants	2,961	-	-	-	2,961	2,762	-	-	-	2,762
Total liabilities	10,631	1,624	191	-	12,446	11,944	1,330	224	1	13,499
Total fiduciary net position, held in trust	\$ 3,565,902	\$ 2,223,504	\$ 78,367	\$ 34,377	\$ 5,902,150	\$ 3,100,889	\$ 1,789,141	\$ 57,896	\$ 26,297	\$ 4,974,223

The accompanying notes are an integral part of the financial statements.

CollegInvest
College Savings Program Funds
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2014 and 2013
(Dollar amounts expressed in thousands)

	2014					2013				
	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Smart Choice Fund	Total Private- Purpose Trust Funds	Scholars Choice Fund	Direct Portfolio Fund	Stable Value Plus Fund	Smart Choice Fund	Total Private Purpose Trust Funds
Additions:										
Gross earnings on investments:										
Interest and dividends	\$ 91,586	\$ 42,197	\$ 2,351	\$ 127	\$ 136,261	\$ 76,230	\$ 41,716	\$ 1,875	\$ 122	\$ 119,943
Net realized and unrealized gains (losses) from securities transactions	341,462	235,315	-	-	576,777	236,822	111,830	-	-	348,652
	433,048	277,512	2,351	127	713,038	313,052	153,546	1,875	122	468,595
Less investment fees	(936)	(910)	-	-	(1,846)	(908)	(747)	-	-	(1,655)
Net investment earnings	432,112	276,602	2,351	127	711,192	312,144	152,799	1,875	122	466,940
Participant contributions	357,115	316,145	36,148	31,550	740,958	331,420	277,240	24,916	26,327	659,903
Fees	336	379	1	29	745	431	486	1	21	939
Total additions	789,563	593,126	38,500	31,706	1,452,895	643,995	430,525	26,792	26,470	1,127,782
Deductions:										
Benefits paid to participants and withdrawals	305,822	150,483	17,557	23,597	497,459	296,763	129,849	14,244	17,004	457,860
Service fees	16,404	6,702	-	-	23,106	15,235	5,744	-	-	20,979
Administrative fees	1,988	1,199	472	29	3,688	1,766	987	355	21	3,129
Marketing expenses	336	379	-	-	715	431	486	-	-	917
Excess (reduced) operating expenses	(742)	391	125	27	(199)	(592)	269	74	21	(228)
Total deductions	323,808	159,154	18,154	23,653	524,769	313,603	137,335	14,673	17,046	482,657
Change in fiduciary net position before transfers and change in due to participants	465,755	433,972	20,346	8,053	928,126	330,392	293,190	12,119	9,424	645,125
Intraplan administrative fee transfers	(543)	391	125	27	-	(364)	269	74	21	-
Change in due to participants	(199)	-	-	-	(199)	(228)	-	-	-	(228)
Change in net position	465,013	434,363	20,471	8,080	927,927	329,800	293,459	12,193	9,445	644,897
Fiduciary net position, beginning of year	3,100,889	1,789,141	57,896	26,297	4,974,223	2,771,089	1,495,682	45,703	16,852	4,329,326
Fiduciary net position, end of year	\$ 3,565,902	\$ 2,223,504	\$ 78,367	\$ 34,377	\$ 5,902,150	\$ 3,100,889	\$ 1,789,141	\$ 57,896	\$ 26,297	\$ 4,974,223

The accompanying notes are an integral part of the financial statements.

CollegeInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies:

Pursuant to Colorado Revised Statutes 23-3.1-201, et seq., and 23-3.1-301, et seq., as amended, CollegeInvest is a division of the Colorado Department of Higher Education (Department) of the State of Colorado. The Executive Director of the Department has responsibility for oversight and management of CollegeInvest. In addition, CollegeInvest has a nine-person Advisory Board of Directors (Board) designated by the Governor, with the consent of the State Senate, to serve four-year terms.

The Colorado General Assembly established a Section 529 college savings program (Program). The Program includes the Scholars Choice Fund (SCF), Direct Portfolio Fund (DPF), Stable Value Plus Fund (SVP), and Smart Choice Fund (SCCS) (Funds), all of which are administered by CollegeInvest. CollegeInvest also administers the Student Loan Program Funds, which consists of the Borrower Benefit Fund, the Bond Funds, the CollegeInvest Early Achievers Scholarship Fund, the Nursing Loan Forgiveness Fund and the Financial Need Scholarship Fund, and a Section 529 post-secondary education expense program (Prepaid Tuition Fund). This report contains only the College Savings Program Funds. The operations of the Funds are accounted for under accounting principles generally accepted in the United States of America as a private-purpose trust. CollegeInvest receives no grants from, and is not otherwise financially assisted by, the State or any local government of the State. CollegeInvest is an enterprise activity under Section 20, Article X of the Colorado Constitution (TABOR).

The Colorado Constitution and other State laws prohibit the State from providing its full faith and credit to obligations of entities such as the Funds. As a result, payments from the Funds are not guaranteed in any way by the State, and shall not be considered to have created a debt or obligation of the State. Such payments are limited obligations, payable from participants' individual accounts in the Funds, but not from the other assets of CollegeInvest, or the State. Similarly, investments in the Funds are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other State or federal government agency, except for SCCS, which is insured by the FDIC, subject to the applicable limit. Investments in SCF and DPF are not deposits or other obligations of Legg Mason, Inc., Upromise Investments, Inc., The Vanguard Group, Inc., or any depository institution or affiliate of Upromise Investments, Inc. or The Vanguard Group, Inc. Investments in SVP are an obligation of MetLife.

Reporting Entity:

The Program was authorized in the 1999 legislative session and, as a result, the Funds were established to provide families with additional opportunities to save for future college educational expenses. The Funds account for the operations and activities of the Section 529

CollegInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

savings program as private-purpose trusts, where both principal and earnings on principal may be spent for the trust's intended purpose. Participant contributions and the earnings thereon are invested to assist in meeting the obligations for future higher education expenses of a named student. The payments of general and administrative expenses and other activities of the Funds necessary to fulfill their purposes are recorded within the Funds. There are no other funds of CollegInvest combined in the accompanying financial statements. Thus, the accompanying statements are not intended to present the financial position, changes in financial position, or cash flows of CollegInvest as a whole in conformity with accounting principles generally accepted in the United States of America. Additionally, the Funds are also presented as fiduciary funds in the State of Colorado Comprehensive Annual Financial report. The financial statements of the CollegInvest College Savings Program Funds are intended to present the net position and changes in net position for only that portion of the financial reporting entity, State of Colorado, that is attributable to the transactions of CollegInvest College Savings Program Funds. They do not purport to, and do not present fairly the financial position of the State of Colorado as of June 30, 2014 and 2013, and the changes in its financial position, or, where applicable, its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Each Fund in the Program was established as a Section 529 plan under the Internal Revenue Code (IRC). The Funds offer certain federal and State tax advantages to investors. The primary tax advantage to participants in the Funds is the ability to exclude from federal taxable income the earnings on any withdrawals that are used for qualified higher education expenses, as that term is defined in Section 529 of the IRC. If a participant is subject to Colorado income tax, earnings on qualified withdrawals are excluded from State taxable income. In addition, individuals, estates, and trusts subject to Colorado income tax generally are entitled to a deduction to the extent of their Colorado taxable income for the year for contributions made to a State sponsored Section 529 plan, subject to recapture in subsequent years in which nonqualified withdrawals are made. Note that an otherwise nontaxable rollover to another Section 529 program that is not associated with the State will trigger recapture of the Colorado income tax deduction described above in the year of the rollover.

Scholars Choice Fund:

The Scholars Choice Fund (SCF) began operations in October 1999. SCF offers 13 investment options in which participants may invest. Each investment option is comprised of one or more of

CollegInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

Scholars Choice Fund (continued):

the 15 active portfolios as of June 30, 2014. The accompanying financial statements report on the combined portfolios.

CollegInvest has an agreement with QS Legg Mason Global Asset Allocation, LLC (QSLMGAA) and Legg Mason Investor Services, LLC (LMIS) to manage the advisor sold accounts of the Scholars Choice Fund (SCF). Both QSLMGAA and LMIS are wholly owned subsidiaries of Legg Mason, Inc. QSLMGAA performs investment advisory functions and LMIS is responsible for performing or arranging for the performance of administrative duties and record keeping for SCF. The agreement is for management of the advisor sold accounts only and expires on December 31, 2022, subject to possible extension.

The investment return for SCF is based on the market performance of investments. Investment options are selected by CollegInvest based on recommendations from QSLMGAA.

Participants in the SCF may invest in one or more of the following options:

- **Age-Based Option:** Contributions are invested in one of seven portfolios according to the age of the student. As the student gets older and closer to college years, the investment shifts from equity funds to bond and money market funds as follows:

<u>Student's Age</u>	<u>Portfolio #</u>	<u>Equity Funds</u>	<u>Bond</u>	
			<u>Fixed Income</u>	<u>Money Market Funds</u>
0–3 years	1	80%	20%	0%
4–6 years	2	70%	30%	0%
7–9 years	3	60%	40%	0%
10–12 years	4	50%	50%	0%
13–15 years	5	40%	50%	10%
16–18 years	6	20%	55%	25%
19+ years	7	0%	50%	50%

- **Balanced 50/50 Option:** Contributions are invested 50% in equity mutual funds and 50% in bond funds throughout the life of the investment (Portfolio #4).

CollegInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

Scholars Choice Fund (continued):

- **Years-to-Enrollment Option:** Contributions are invested in a series of portfolios that shift from equity mutual funds to bond and money market funds as the student approaches college years. These portfolios are identical to Portfolios 3 through 7 in the Age-Based Portfolios.

<u>Years to Enrollment</u>	<u>Portfolio #</u>	<u>Equity Funds</u>	<u>Bond</u>		<u>Money Market Funds</u>
			<u>Fixed Income</u>		
10–12 years	3	60%	40%		0%
7–9 years	4	50%	50%		0%
4–6 years	5	40%	50%		10%
1–3 years	6	20%	55%		25%
Less than 1 year	7	0%	50%		50%

- **All Equity Option:** Contributions are invested in equity mutual funds throughout the life of the account.
- **All Fixed Income Option:** Contributions are invested in bond funds throughout the life of the account.
- **Equity 80% Option:** Contributions are invested 80% in equity mutual funds and 20% in fixed income investments (Portfolio #1). The investment objective of this option is to seek long-term capital appreciation through investments in equity mutual funds while maintaining 20% exposure to the relatively more stable returns of fixed income investments through investment in fixed income mutual funds.
- **Fixed Income 80% Option:** Contributions are invested 80% in fixed income and money market fund investments and 20% in equity mutual funds (Portfolio #6). The investment objective of this option is to seek the relatively more stable returns of a fixed income investment through investments in fixed income mutual funds while maintaining 20% exposure to the long-term capital appreciation potential of investments in equity mutual funds.

CollegInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

Scholars Choice Fund (continued):

- Zero-Coupon Bond Option: Contributions are invested in U.S. Treasury zero-coupon bonds with specific target maturity dates (Zero-Coupon Bond Portfolios). The investment objective of this option is to provide investors who hold their units until the selected Zero-Coupon Bond Portfolio's maturity date with an investment experience that is comparable, before taking into account fees and expenses, to that of a direct investment in a zero-coupon U.S. Treasury bond with the same term to maturity. The Zero-Coupon Bond Option was eliminated during the fiscal year ended June 30, 2013.
- Cash Reserve Option: Contributions are invested in the Western Asset Money Market Fund. The investment objective of the Cash Reserve Option is to seek maximum current income and preservation of capital.
- Individual Fund Options: U.S. Aggressive Equity, U.S. Core Equity, U.S. Small Cap Equity, International Equity, Global Fixed Income. Each of the Individual Fund Portfolios will invest all of its assets in a single Fund, as specified in the "Current Underlying Fund for Individual Fund Portfolio" tab under the "Target Fund Allocations" listed in the Program Disclosure Statement. While each of the Individual Fund Portfolios will invest all of its assets in a single specified Fund, the Individual Fund Portfolios themselves are not mutual funds. The Fund in which an Individual Fund Portfolio invests all of its assets is subject to change.

Direct Portfolio Fund:

The Direct Portfolio Fund (DPF) began operations in October 2004. DPF offers eleven investment options, including three age-based options and eight blended and individual portfolios, in which participants may invest. Each investment option is comprised of one or more of eight active portfolios within DPF as of June 30, 2014.

As the trustee for DPF, CollegeInvest entered into an agreement (DPF Service Agreement) with Upromise Investments, Inc. and The Vanguard Group, Inc. (Managers) to manage the DPF. This contract expires on December 31, 2024. The investment return for DPF is based on the market performance of investments. Investment options are selected by CollegeInvest based on recommendations from the Managers.

CollegInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

Direct Portfolio Fund (continued):

Participants may invest in one or more of the following eleven options:

- **Age-Based Options:** Contributions are invested in one of three portfolios according to the age of the beneficiary. Money invested in the Age-Based Options is automatically transferred over time to successive Portfolios with asset allocations that change from equity funds to fixed income and money market funds as the beneficiary approaches college age. Within the Age-Based Options, participants may invest according to risk tolerance in either a conservative, moderate, or aggressive range of asset allocations as follows:

Beneficiary's Age	Conservative	Moderate	Aggressive
Newborn through 5	Moderate Growth Portfolio 50% stock funds 50% bond funds	Growth Portfolio 75% stock funds 25% bond funds	Aggressive Growth Portfolio 100% stock funds
6 through 10	Conservative Growth Portfolio 25% stock funds 75% bond funds	Moderate Growth Portfolio 50% stock funds 50% bond funds	Growth Portfolio 75% stock funds 25% bond funds
11 through 15	Income Portfolio 75% bond funds 25% money market funds	Conservative Growth Portfolio 25% stock funds 75% bond funds	Moderate Growth Portfolio 50% stock funds 50% bond funds
16 through 18	Income Portfolio 75% bond funds 25% money market funds	Income Portfolio 75% bond funds 25% money market funds	Conservative Growth Portfolio 25% stock funds 75% bond funds
19 or older	Money Market Portfolio 100% money market funds	Income Portfolio 75% bond funds 25% money market funds	Income Portfolio 75% bond funds 25% money market funds

- **Blended Portfolios and Individual Portfolios:** Contributions are invested in one of eight options. In these options, assets will be allocated to the Portfolio for the life of the investment unless the account owner directs a change in investment option. The Blended Portfolios and the Individual Portfolios are each invested according to a static asset allocation that does not change over time. Within the Blended Portfolios participants may invest according to risk tolerance in either an aggressive, growth, moderate growth, conservative growth, or income focused range of asset allocations as follows:

CollegInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

Direct Portfolio Fund (continued):

Underlying Fund	Aggressive Growth Portfolio	Growth Portfolio	Moderate Growth Portfolio	Conservative Growth Portfolio	Income Portfolio
Vanguard® Institutional Total Stock Market Index Fund Institutional Plus Shares	80%	60%	40%	20%	0%
Vanguard® Total International Stock Index Fund Institutional Plus Shares	20%	15%	10%	5%	0%
Total Stock Funds	100%	75%	50%	25%	0%
Vanguard® Total Bond Market II Index Fund Institutional Shares	0%	20%	40%	60%	40%
Vanguard® Total International Bond Index Fund Institutional Shares	0%	5%	10%	15%	10%
Vanguard® Inflation-Protected Securities Fund Institutional Shares	0%	0%	0%	0%	25%
Total Bond Funds	0%	25%	50%	75%	75%
Vanguard® Prime Money Market Fund Institutional Shares	0%	0%	0%	0%	25%
Total Money Market Funds	0%	0%	0%	0%	25%
TOTAL	100%	100%	100%	100%	100%

Within the Individual Portfolios participants may invest as follows:

- **Stock Index Portfolio:** Contributions are invested 100% in Vanguard Institutional Total Stock Market Index Fund Institutional Plus Shares and seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.
- **Bond Index Portfolio:** Contributions are invested 100% in Vanguard Total International Bond Market Index Fund Institutional Shares and seeks to track the performance of a broad, market-weighted bond index.

CollegeInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

Direct Portfolio Fund (continued):

- Money Market Portfolio: Contributions are invested 100% in Vanguard Prime Money Market Fund Institutional Shares and seeks to provide preservation of principal and current income.

Stable Value Plus Fund:

The Stable Value Plus Fund (SVP) began operations in February 2003. In January 2003, CollegeInvest entered into an agreement with MetLife (the MetLife Agreement) to provide a guarantee on the principal and earnings of the Stable Value Plus Fund. Under the MetLife Agreement, the rate of return is reset annually each January 1. The MetLife Agreement expires on December 31, 2017, with the option to extend two additional one-year periods. MetLife has agreed that the annual interest rate calculated each year will not be less than the greater of (i) the Colorado minimum nonforfeiture interest rate for annuity contracts (currently 3.00%), or (ii) 2.00%. The current minimum investment return on accounts in the fund could be as low as 2.01%, which is the current minimum annual rate of 3.00% less the maximum CollegeInvest administrative fee of .99%.

MetLife agreed to pay an annual rate of 3.75% from July 1, 2012 through December 31, 2013, and 3.35% from January 1 to June 30, 2014. The rate, net of CollegeInvest's administrative fee, was 3.04% from July 1, 2012 through December 31, 2013, and 2.64% from January 1, 2014 through June 30, 2014.

CollegeInvest may discontinue the MetLife Agreement at any time. In the event of such discontinuance, CollegeInvest shall direct the investment of SVP assets to alternate investments as permitted by the MetLife Agreement and the investment policy of SVP. There is no assurance that CollegeInvest will be able to obtain such alternate investment or maintain the current investment return for any such alternate investment.

The MetLife Agreement provides that participants are not permitted to transfer amounts from their Account in SVP directly to a Colorado Competing Fixed Interest Fund if not satisfied with the investment or if the MetLife Agreement is discontinued. In CollegeInvest DPF, the Income Portfolio and the Money Market Portfolio (whether a stand-alone option or part of an age-based option) have each been determined by MetLife to be a Colorado Competing Fixed Interest Fund.

CollegInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Reporting Entity (continued):

Stable Value Plus Fund (continued):

In CollegInvest SCF, the Cash Reserve Option has been determined by MetLife to be a Colorado Competing Fixed Interest Fund. In SCCS, both the One-Year Time Savings and Money Market Savings options have been determined by Metlife to be a Colorado Competing Fixed Interest Fund.

Smart Choice Fund

On October 21, 2009, CollegInvest entered into an agreement with FirstBank Holding Company (FirstBank), a Colorado banking company, to begin offering a college savings option called the Smart Choice College Savings Plan (SCCS). CollegInvest acts as trustee for the Plan and FirstBank performs administrative and record-keeping duties. The Plan is being offered to provide an additional tax-advantaged savings vehicle for participants to utilize in saving for post-secondary education by providing the benefits of a 529 plan along with the stability and security of an FDIC insured bank. The product offerings through the SCCS are a One-Year Time Savings option and a Money Market Savings option. The agreement expires September 30, 2019, with an option to extend for up to two additional two-year periods.

The interest rate paid on amounts deposited into the money market savings account and the one-year time saving account will be established by FirstBank. However, the rates for each type of account must not be less than 0.10% of the interest rate publicly offered directly by FirstBank on similar money market and savings accounts. The rates are variable and are published daily by FirstBank on their website. The interest rate will be calculated, and may be adjusted if needed, every Wednesday and on the first day of each month, and is net of all administrative and other charges of FirstBank.

Basis of Accounting:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and standards of the Governmental Accounting Standards Board (GASB). The accrual basis of accounting is utilized by the Funds.

Additions to net position are recognized in the accounting period in which they are earned and deductions from net position are recognized in the period they are incurred.

CollegInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Cash and Cash Equivalents:

The Fund considers all cash and demand deposit accounts to be cash equivalents.

Investments and Net Position Additions/Deductions:

QS Legg Mason Global Asset Allocation, LLC (QSLMGAA) has responsibility for investing the assets of each of the SCF's portfolios, and the Managers have responsibility for investing the assets of the DPF's portfolios in equity mutual funds, fixed income mutual funds, money market funds, and other investments (Underlying Funds), in accordance with CollegInvest's Investment Policy Statements, and the Portfolio selected for investment by the participant.

CollegInvest has responsibility for transferring the assets of the participants of the SVP to MetLife in accordance with the MetLife Agreement. Investments in the Underlying Funds are purchased weekly and are valued at the closing net asset value per share on the date of transfer to MetLife. Interest earnings are credited to participant accounts daily. Distributions from the SVP are valued on the date immediately preceding the date that a payment is made by CollegInvest in satisfaction of a withdrawal request.

All contributions received from participants of the SCCS will be made to a Plan account and, at the direction of the account owner, will be deposited in a One-Year Time Savings Account or a Money Market Savings Account with FirstBank through its individually chartered banks.

Security transactions for the SCF and the DPF are accounted for on a trade-date basis. This may result in receivables and payables for transactions at year-end. Investments in the Underlying Funds are valued at the closing net asset value per share of each Underlying Fund on the day of valuation.

Income distributions and short-term capital gain distributions from the Underlying Funds are recorded on the ex-dividend date as investment and interest earnings are recorded on an accrual basis. Long-term capital gains, if any, from the Underlying Funds are recorded on the ex-dividend date as realized gains. Gains or losses on the sale of the Underlying Funds are calculated by using the specific identification method.

Investments are carried at fair value, which is primarily determined based on market prices at June 30, 2014 and 2013.

CollegeInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Due from (to) Student Loan Program Funds/Unearned Revenue:

CollegeInvest utilizes the Borrower Benefit Fund (within the Student Loan Program Funds of CollegeInvest) for payment of general and administrative expenses and other activities necessary to fulfill the purposes of the various funds, including the College Savings Program Funds. Expenses paid from the Borrower Benefit Fund related to the Funds are allocated to and reimbursed by the Funds. Marketing and scholarship commitments received from LMIS and the Managers in excess of actual expenses are held in the Borrower Benefit Fund and recorded as unearned revenue in the SCF and DPF. Total unearned revenue recorded in these funds was \$3,044,000 and \$2,410,000 for the years ended June 30, 2014 and 2013, respectively. CollegeInvest will utilize these commitments for marketing and scholarships as designated in the contracts with LMIS and the managers.

Fee Limitation/Due to Participants:

To the extent that administrative fees collected from participants exceed the expenses of the Program, CollegeInvest shall 1) determine if such revenues are required to fund subsequent year expenses of the Program; 2) determine if such fees are required to fund prior years' unfunded expenses of the Program; or 3) reduce future fees of the plan participants for the following year.

As of June 30, 2014 and 2013, \$3.0 million and \$2.8 million in fees were accumulated in reserves that were greater than actual expenses, respectively. As of June 30, 2014, the \$3.0 million reserve is restricted for future expenses of CollegeInvest in its capacity as administrator of the Program. It is CollegeInvest's intent to maintain this reserve at approximately 12 to 18 months of estimated expenses, which CollegeInvest estimates to be between \$4.2 million and \$6.2 million.

Participant Contributions:

The aggregate balance limit for the Funds and all other Colorado Section 529 plans for a particular beneficiary from all sources, excluding income, is \$350,000. The balance limit is set by CollegeInvest based on Internal Revenue Service (IRS) guidelines and is subject to change. In particular, if the IRS adopts final regulations, it may require or permit a maximum balance limit that differs from the \$350,000 limit. No additional contributions may be made to an account if the balance limit is reached; however, the account may continue to grow beyond this limit through earnings.

CollegeInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Withdrawals:

A qualified withdrawal is a withdrawal made to pay qualified higher education expenses of the beneficiary. The earnings on qualified withdrawals are not subject to federal income tax. All withdrawals other than for this purpose are considered non-qualified withdrawals. Non-qualified withdrawals are subject to federal income tax plus a 10% penalty on earnings per Section 529 of the Internal Revenue Code. A non-qualified withdrawal is not subject to the 10% penalty only if the withdrawal is: (i) made on account of the death or disability of the beneficiary; (ii) made on account of a scholarship received by the beneficiary, to the extent that the withdrawal does not exceed the amount of the scholarship; or (iii) a non-taxable transfer to another account or to another Section 529 plan on behalf of a beneficiary or for a different beneficiary who is a family member of the original student. A non-qualified withdrawal may also be subject to recapture in the event a deduction has been taken from Colorado taxable income.

Investment, Service and Administrative Fees:

Scholars Choice Fund:

CollegeInvest has a service agreement (SCF Service Agreement) with QS Legg Mason Global Asset Allocation, LLC (QSLMGAA) and Legg Mason Investor Services, LLC (LMIS) pursuant to which QSLMGAA and LMIS are responsible for providing administrative, record-keeping, marketing, and investment management services to SCF. Both QSLMGAA and LMIS are wholly owned subsidiaries of Legg Mason, Inc. The SCF Service Agreement states that QSLMGAA will receive investment and service fees at an annual percentage rate of average daily net assets. The rate structures can be found in the Plan Disclosure Statement for the Scholars Choice Fund.

This rate will vary with the Unit Class the account owner chooses. During the years ended June 30, 2014 and 2013, the investment fees paid by SCF were \$936,000 and \$908,000, respectively, under the SCF Service Agreement. In addition, according to the SCF Service Agreement, each participant bears certain ongoing service fees that will vary with the Unit Classes the participant chooses. These direct service fees provide for the costs associated with distribution, servicing, and administration of the Unit Classes. Such direct service fees reduce the value of the participant's account as incurred. Such fees are payable to QSLMGAA monthly, solely from the assets of SCF. SCF paid service fees of \$16.4 million and \$15.2 million for the years ended June 30, 2014 and 2013, respectively.

CollegeInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Investment, Service and Administrative Fees (continued):

Scholars Choice Fund (continued):

The SCF Service Agreement states that CollegeInvest will receive an administrative fee at an annual rate of up to 0.10% of average daily net assets. These fees represent charges to SCF for actual administrative costs of CollegeInvest. Such fees are payable to CollegeInvest monthly, solely from the assets of the SCF. From July 1, 2012 through June 30, 2014, CollegeInvest received an administrative fee at an annual rate of 0.06% of average daily net assets. SCF paid administrative fees of \$2.0 million and \$1.8 million for the years ended June 30, 2014 and 2013, respectively.

Direct Portfolio Fund:

CollegeInvest entered into a service agreement (DPF Service Agreement) with Upromise Investments and The Vanguard Group, Inc. (Managers), pursuant to which the Managers are responsible for providing administrative, record-keeping, marketing, and investment management services to the DPF. During the year ended June 30, 2014, DPF paid investment fees of \$910,000 and service fees of \$6.7 million. During the year ended June 30, 2013, DPF paid investment fees of \$747,000 and service fees of \$5.7 million. Such direct investment and service fees reduce the value of the participant's account as incurred. Such fees are payable to the Managers monthly, solely from the assets of the DPF.

Under the DPF Service Agreement, CollegeInvest receives an administrative fee at an annual rate of up to 0.10% of average daily net assets. These fees represent charges to DPF for actual administrative costs of CollegeInvest. Such fees are payable to CollegeInvest monthly, solely from the assets of DPF. From July 1, 2012 through June 30, 2014 CollegeInvest received an administrative fee at an annual rate of 0.06% of average daily net assets. DPF paid administrative fees of \$1.2 million and \$987,000 for the years ended June 30, 2014 and 2013, respectively.

Stable Value Plus Fund:

Contributions are invested by deposit under the service agreement (MetLife Agreement) between CollegeInvest and MetLife. Deposits made under the MetLife Agreement become commingled with the general account of MetLife. MetLife is obligated to repay the amounts deposited under

CollegInvest
College Savings Program Funds
Notes To Financial Statements
June 30, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies (continued):

Investment, Service and Administrative Fees (continued):

Stable Value Plus Fund (continued):

calculated each year under the MetLife Agreement is net of all administrative and other charges of MetLife.

The MetLife Agreement states that CollegInvest will receive an administrative fee at an annual rate of up to 0.99% of the average daily net assets of the Fund. Such fees are payable to CollegInvest solely from Account owners and cannot exceed actual expenses of administering the Fund as defined by Statute. For the period from September 1, 2011 through June 30, 2014, the fee was 0.71%. SVP paid administrative fees on behalf of its participants of \$472,000 and \$355,000 for the years ended June 30, 2014 and 2013, respectively.

Smart Choice Fund

All monies received as contributions to the accounts under the service agreement (SCCS Service Agreement) between CollegInvest and FirstBank Holding Company (FirstBank) shall be deposited by FirstBank into the Trust Account and invested according to the respective Investment Option or Options, as directed by the account owner. The SCCS Service Agreement requires FirstBank to repay the amounts deposited along with any interest earned on their deposit. The interest rate will be calculated, and may be adjusted if needed, every Wednesday and on the first day of each month and is net of all administrative and other charges of FirstBank.

Under the SCCS Service Agreement, CollegInvest receives an administrative fee at an annual rate of up to 0.10% of average daily net assets. These fees represent charges to SCCS for actual administrative costs of CollegInvest. Such fees are payable to CollegInvest monthly, solely from the assets of SCCS. SCCS paid administrative fees on behalf of its participants of \$29,000 and \$21,000 for the years ended June 30, 2014 and 2013, respectively.

2. Cash, Cash Equivalents and Investments:

Cash and Cash Equivalents:

As contributions are received from participants, the cash is held in the respective Fund until such time as it may be invested in the underlying funds of the chosen investment portfolios. With respect to the SCF and DPF, depending upon the timing of the cash receipts, there could be up to

CollegeInvest
College Savings Program Funds
Notes To Financial Statements
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2. Cash, Cash Equivalents and Investments (continued):

Cash and Cash Equivalents (continued):

two days' delay between actual receipt of cash and the investment made on behalf of the participant. Cash and cash equivalents are held in trust by the Funds' Managers as of June 30, 2014 and 2013. With respect to SVP, contributions will be invested with MetLife within 30 days of receipt by CollegeInvest. Interest earned on contributions prior to investment with MetLife will accrue to CollegeInvest and will be used to offset administrative expenses. SVP had deposits that were not yet transferred to MetLife of \$169,000 and \$219,000 as of June 30, 2014 and 2013, respectively.

All cash deposits of the SVP Funds are held by a bank. Payments and cash receipts are deposited to a demand deposit account daily. All cash deposits of the SCF and DPF are held by a custodian on behalf of the manager of each Fund until it is invested in the Underlying Funds. All cash deposits of the SCCS Funds are held by FirstBank.

Cash deposits as of June 30 are as follows:

	2014		2013
(dollar amounts expressed in thousands)			
Demand deposit accounts	\$ 176	\$	197
Money market accounts	34,377		26,297
Total cash deposits	\$ 34,553	\$	26,494

Custodial Credit Risk – Cash Deposits:

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, CollegeInvest will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Monies in the SVP demand deposit accounts are insured by federal depository insurance for the first \$250,000. Deposits in excess of the \$250,000 limit are collateralized subject to the provisions of the State's Public Deposit Protection Act (PDPA) for monies held within the State. Monies held in the SCF and DPF are uncollateralized. Individual accounts in the SCCS that are greater than \$250,000 are uncollateralized. As of June 30, 2014 and 2013, there were no uncollateralized amounts in the SCCS.

CollegInvest
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2. Cash, Cash Equivalents and Investments (continued):

Investments:

Investments, at fair value, for each fund as of June 30 are as follows:

	<u>2014</u>		<u>2013</u>
	(dollar amounts expressed in thousands)		
Scholars Choice Fund	\$ 3,567,447	\$	3,102,394
Direct Portfolio Fund	2,222,785		1,788,640
Stable Value Plus Fund	78,300		57,839
Total investments	<u>\$ 5,868,532</u>	\$	<u>4,948,873</u>

Investment Authority and Policy:

Scholars Choice Fund and Direct Portfolio Fund:

The Board approves the investment policies for both the SCF and DPF. Investments of assets in the SCF and DPF and the underlying portfolios are selected and managed in accordance with the standards set forth in the Colorado Revised Statutes Sections 15-1-304 and 15-1.1-102. Consistent with these standards, the Board, or its designated committee, will determine from time to time suitable investment parameters for the SCF and the DPF, which seek to control risk through portfolio diversification. Generally, investments include money market mutual funds and bond and equity mutual funds. Each mutual fund in which an underlying portfolio is invested shall comply with the investment policy's permitted investment guidelines.

CollegInvest
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2. Cash, Cash Equivalents and Investments (continued):

Investment Authority and Policy (continued):

Scholars Choice Fund and Direct Portfolio Fund (continued):

The table below identifies the significant investment types that are authorized for the SCF and DPF:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer [A]
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Certificates of Deposit	12 months	[B]	[B]
Commercial Paper	9 months	None	None
General or Revenue Obligations	None	None	None
Repurchase Agreements [C]	None	None	None
Investment Agreements	None	None	None
Banker's Acceptances	None	None	None
Domestic Equity Securities	N/A	[D]	[D]
Foreign Equity Securities	N/A	[E]	[E]
Money Market Funds	N/A	None	None
Cash Management Accounts	N/A	None	None

[A] No more than 10% of the total amount of the fixed-income portion shall be committed to the securities of any one issuer at the time of purchase, with the exception of securities issued or guaranteed by the full faith and credit of the United States or AAA rated securities issued by governmental agencies as to which there is no limit.

[B] No more than 5% of the assets of the short-term investment account shall be committed to certificates of deposit from one institution.

[C] Repurchase agreements must be secured by U.S. Treasury Obligations or U.S. Agency Securities.

[D] No more than 5% of the total amount of the underlying portfolio in the securities of any one issuer; no more than 5% of the outstanding shares of any single corporation; and no more than 25% of the total amount of the underlying portfolio in any one industry.

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2. Cash, Cash Equivalents and Investments (continued):

Investment Authority and Policy (continued):

Scholars Choice Fund and Direct Portfolio Fund (continued):

[E] No more than 5% of the total amount of the underlying portfolio in the securities of any one issuer; no more than 5% of the outstanding shares of any single corporation; investment in any one country shall be no more than a) 25% of the total amount of the underlying portfolio or, b) the country weight in the EAFE benchmark plus 10% and a minimum of eight countries should be represented in the underlying portfolio.

Stable Value Plus Fund:

The Board approves the investment policy for the SVP. Generally, investments include any funding agreement, guaranteed interest contract, guaranteed investment contract, annuity contract, repurchase agreement, or other similar investments which are issued by an insurance company or other investment provider with financial strength ratings in any one of the three highest rating categories by two or more nationally recognized rating agencies which regularly rate the ability of such investment providers to pay claims. The SVP may terminate any agreement with an existing investment provider should two or more of the nationally recognized rating agencies reduce their rating of the provider to a category that is below the lowest "A" rating. As of June 30, 2014, the MetLife Insurance Company of Connecticut's rating met the requirements of the investment policy.

Smart Choice Fund:

The Board, with the approval of the Executive Director of the Department, has the responsibility to select a financial institution to manage the Plan assets. The SCCS will offer a number of investment options in interest-bearing accounts provided by FirstBank that reflect a conservative and safe risk tolerance for participants saving for post-secondary education. Generally, investments may include a regular savings account, a time savings account, a money market account, a time deposit account or a premier time account. Monies in these accounts are insured by the FDIC for the first \$250,000.

CollegInvest
College Savings Program Funds
Notes To Financial Statements
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2. Cash, Cash Equivalents and Investments (continued):

Investment Authority and Policy (continued):

The Funds' investments, at fair value, as of June 30 are as follows:

	<u>2014</u>	<u>2013</u>
	(dollar amounts expressed in thousands)	
Vanguard Institutional Total Stock Market Index Fund	\$ 1,056,271	\$ 807,083
Fund Institutional Plus Shares	639,488	577,618
Western Asset Core Plus Bond Portfolio	562,375	594,293
Vanguard Total Bond Market II Index Fund		
Institutional Shares	441,254	363,982
ClearBridge Aggressive Growth Fund	423,489	354,555
Legg Mason BW Diversified Large Cap Value Fund	353,527	321,484
Western Asset Institutional Liquid Reserves	338,996	308,160
Western Asset Short-Term Bond Fund	321,444	273,333
Thornburg International Value Fund	282,735	237,108
ClearBridge Appreciation Fund	281,177	236,700
QS Legg Mason Batterymarch U.S. Large Cap Equity Trust	218,325	184,865
Western Asset Inflation Indexed Plus Bond Fund	210,093	163,416
Vanguard Total International Stock Index Fund		
Institutional Plus Shares	155,775	129,159
Vanguard Prime Money Market Fund Institutional Shares	140,753	-
Vanguard Total International Bond Index Fund		
Institutional Shares	100,727	89,598
Western Asset Global High Yield Bond Fund	83,964	73,675
Royce Pennsylvania Mutual Fund	79,842	75,143
ClearBridge Small Cap Growth Fund	78,300	57,839
Investment Agreement – MetLife	61,220	55,666
Vanguard Inflation-Protected Securities Fund Institutional Shares	35,727	38,466
Vanguard Total Bond Market Index Fund Institutional Plus Shares	1,399	908
Legg Mason BW Global Opportunities Bond Fund	1,080	5,265
Legg Mason Repurchase Agreement	571	557
Vanguard Cash Management Trust	\$ <u>5,868,532</u>	\$ <u>4,948,873</u>

CollegInvest
College Savings Program Funds
Notes To Financial Statements
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2. Cash, Cash Equivalents and Investments (continued):

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. CollegInvest provides participants investment opportunities in various portfolios that are constructed from a range of mutual funds that it has selected. CollegInvest does not actively manage interest rate risk except through its mutual fund selection process. QSLMGAA and the Managers of the Funds primarily report interest rate risk evaluation of the fixed income mutual funds in the various portfolios based on the duration method.

	<u>2014</u>	<u>2013</u>
	Duration	Weighted Average Maturity
Western Asset Core Plus Bond Portfolio	5.6 years	5.8 years
Vanguard Total Bond Market II Index Fund Institutional Shares	5.6 years	5.5 years
Western Asset Institutional Liquid Reserves		58 days
Western Asset Short-Term Bond Fund	3.0 years	1.9 years
Western Asset Inflation Indexed Plus Bond Fund	6.7 years	7.5 years
Vanguard Total International Bond Index Fund Institutional Shares	6.8 years	N/A
Western Asset Global High Yield Bond	3.2 years	4.3 years
Vanguard Inflation-Protected Securities Fund Institutional Shares	7.9 years	8.1 years
Vanguard Total Bond Market Index Fund Institutional Plus Shares	5.6 years	5.5 years
Legg Mason BW Global Opportunities Bond Fund	6.9 years	4.4 years

Credit Risk:

Generally, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment options in SCF and DPF attempt to diversify risk by offering multiple portfolio options with a range of credit risk characteristics. Investments of the underlying portfolios shall be selected and managed in

CollegeInvest
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2. Cash, Cash Equivalents and Investments (continued):

Credit Risk (continued):

accordance with the standards set forth in Section 15-1-304, C.R.S., that is: (a) with the care which men of prudence, discretion and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital; and (b) for the sole benefit of the beneficiary. Investment decisions shall be made in accordance with the prudent investor rule set forth in Section 15-1.1-102, C.R.S. Consistent with the above, the BOD, or its designated Committee, will determine, from time to time, suitable investment parameters for the SCF and DPF which seeks to control risk through portfolio diversification. Additionally, CollegeInvest's investment policy states that all mutual fund assets are subject to the provisions of the Investment Company Act of 1940. As of June 30, 2014 and 2013, investments in the SCF, DPF, and SCCS portfolios and the Funding Agreement were unrated. The underlying securities of the repurchase agreement are explicitly guaranteed by the U.S. government and are not subject to credit risk disclosures.

Units:

The beneficial interests of each participant and beneficiary in the net position of all portfolios except SCCS are represented by units. Contributions to and redemptions from the portfolios are subject to terms and limitations defined in the participation agreement between the participant and the respective plan. Contributions to SCF and DPF (other than by electronic funds transfers) will purchase units in a portfolio at the net asset value per unit for that portfolio calculated no later than the business day following the day payment is received by QSLMGAA or the Managers. Contributions by electronic funds transfers will purchase units at the unit value calculated on the day of transfer or, in certain cases, on the day that the monies become available. Contributions to SVP, including contributions received by electronic transfer, will purchase units at the net asset value calculated on the business day immediately preceding the date the contributions are invested with MetLife. Contributions are required to be invested with MetLife within 30 days of receipt by CollegeInvest.

Withdrawals from SCF or DPF result in the redemption of units, based on the unit value next determined following QSLMGAA's or the Manager's receipt of the withdrawal request. Unit values for each portfolio are determined daily. There are no distributions of net investment gains or net investment income to the portfolios' participants or beneficiaries. Withdrawals from SVP result in the redemption of units, based on the unit value determined on the date immediately preceding the date that a payment is made by CollegeInvest in satisfaction of a withdrawal

CollegInvest
College Savings Program Funds
Notes To Financial Statements
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2. Cash, Cash Equivalents and Investments (continued):

Units (continued):

request. Unit values for the Fund are determined daily. There are no distributions of net investment gains or net investment income to the participants or beneficiaries.

3. Retirement Plans:

Plan Description:

Most of CollegInvest's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the PERA Board of Trustees. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The State plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

Non-higher education employees hired by the State after January 1, 2006 are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the State Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior 12 months. In that case, they are required to remain in the PERA plan in which they participated previously.

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3. Retirement Plans (continued):

Plan Description (continued):

PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same amount as the contributions to the PERA defined benefit plan.

Defined benefit plan members (except State troopers) vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date, as follows:

Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.

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3. Retirement Plans (continued):

Plan Description (continued):

- Hired between January 1, 2007, and December 31, 2010 – age 55 with a minimum of five years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and State troopers are eligible for retirement benefits at different ages and years of service.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increase between period used in calculating HAS.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

CollegInvest
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3. Retirement Plans (continued):

Plan Description (continued):

The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse, then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

Funding Policy:

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the State sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0 percent (10.0 percent for State troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5 percent reduction in employer contributions effective for Fiscal Years 2010–11 and 2011–12 expired.

From July 1, 2013, to December 31, 2013, the State contributed 16.55 percent (19.25 percent for State troopers and 17.36 percent for the Judicial Branch) of the employee's salary. From January 1, 2014, through June 30, 2014, the State contributed 17.45 percent (20.15 percent for State troopers and 17.36 percent for the Judicial Branch). During all of fiscal year 2013–14, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2013, the division of PERA in which the State participates has a funded ratio of 57.5 percent and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

CollegInvest
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3. Retirement Plans (continued):

Funding Policy (continued):

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

Historically, members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The Funds' contributions to PERA and/or the State defined contribution plan for the fiscal years ending June 30, 2014, 2013 and 2012 were \$219,000, \$172,000 and \$138,000, respectively. These contributions met the contribution requirement for each year.

4. Other Retirement Plans:

Defined Contribution Plan:

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions

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4. Other Retirement Plans (continued):

Defined Contribution Plan (continued):

to the plan vest from 50 percent to 100 percent evenly over five years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. The temporary contribution rate increases to 10.5 percent (12.5 percent for State Troopers) effective in Fiscal Years 2010–2011 and 2011–12 expired on July 1, 2012. At December 31, 2013, the plan had 4,719 participants.

Deferred Compensation Plan:

The PERA Deferred Compensation Plan (457) was established July 1, 2009 as a continuation of the State's deferred compensation plan that was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2013, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$17,500. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in Fiscal Years 2010–11 and 2011–12. Participants who are age 50 and older and contributing the maximum amount allowed were also allowed to make an additional \$5,500 contribution in 2013 for total contributions of \$23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had 17,462 participants.

PERA also offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans.

5. Other Postemployment Benefits:

Health Care Program:

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its

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5. Other Postemployment Benefits (continued):

Health Care Program (continued):

Comprehensive Annual Financial Report, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 3. Beginning July 1, 2004, State agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The Funds contributed \$14,000, \$13,000 and \$11,000 as required by statute in Fiscal Years 2013-14, 2012-13 and 2011-12, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2013, there were 53,041 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.26 billion, a funded ratio of 18.8 percent, and a 30-year amortization period.

6. Risk Management:

Self-Insurance:

The State of Colorado currently self-insures its agencies, officials, and employees for the risks of losses to which they are exposed. That includes general liability, motor vehicle liability, and worker's compensation. The State Risk Management Fund is a restricted General Fund used for

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6. Risk Management (continued):

Self-Insurance (continued):

claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State except for employee medical claims. Property claims are not self-insured; rather the State has purchased insurance.

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Worker’s Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The State utilizes the services of a third party administrator, Broadspire Services (Broadspire), to administer its plan. The State reimburses Broadspire for the current cost of claims paid and related administrative expenses.

CollegInvest participates in the Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

The limits of liability for which the State accepts responsibility pursuant to the Colorado Governmental Immunity Act, section 24-10-101 et seq., C.R.S., are as follows:

Liability	Limits of Liability
General and automobile	Each person \$350,000 Each occurrence \$990,000

There were no significant reductions or changes in insurance coverage from the prior year. Settled claims did not exceed insurance coverage in any of the past three fiscal years.

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6. Risk Management (continued):

Furniture and Equipment (continued):

The State of Colorado carries a \$15,000 deductible replacement policy on all State owned furniture and equipment. For each loss incurred, CollegInvest is responsible for the first \$5,000 of the deductible and the State of Colorado is responsible for the next \$10,000 of the deductible. Any loss in excess of \$15,000 is covered by the insurance carrier up to replacement cost.

7. Net Position:

All of the Funds' fiduciary net position of \$5.9 billion and \$5.0 billion as of June 30, 2014 and 2013, respectively, are net assets held in trust on behalf of investors in the Funds.

8. Intraplan Administrative Fee Transfers:

CollegInvest receives an administrative fee at an annual rate of up to 0.99% of the average daily net assets of SVP, and up to 0.10% of the average daily net assets of SCF, DPF, and SCCS. These fees are deducted monthly from each Fund and are used by CollegInvest for the payment of administrative expenses incurred by CollegInvest in connection with the operation of the Program in accordance with and as permitted by applicable law. Effective September 1, 2011 through June 30, 2014, the fee for SVP was 0.71% and 0.06% for SCF and DPF. SCF transferred \$391,000 and \$269,000 to DPF for the payment of expenses in excess of fees collected during fiscal years ended June 30, 2014 and 2013, respectively. Additionally, SCF transferred \$27,000 and \$21,000 to SCCS for the payment of expenses in excess of fees collected during the fiscal years ended June 30, 2014 and 2013, respectively. SCF transferred \$125,000 and \$74,000 to SVP for the payment of expenses in excess of fees collected during the fiscal years ended June 30, 2014 and 2013, respectively.

9. Capital Markets:

During the last several years, financial markets as a whole have incurred significant fluctuations in values. Because the values of individual investments fluctuate with market conditions, the amount of investment gains or losses that the Plan will recognize in its future financial statements, if any, cannot be determined.

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SUPPLEMENTARY INFORMATION

CollegInvest
Scholars Choice Fund
Supplementary Schedule – Combining Schedule of Fiduciary Net Position
June 30, 2014
(Dollar amounts expressed in thousands)

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7
Investments, at fair value	\$ 336,460	\$ 174,930	\$ 312,574	\$ 767,409	\$ 534,773	\$ 491,221	\$ 232,920
Receivable for portfolio units sold and investments sold	673	166	201	574	393	540	533
Interest receivable	-	-	-	-	-	-	-
Due from plan managers	16	9	15	39	26	24	11
Due from Student Loan Program Funds	457	237	424	1,041	725	666	316
Total fiduciary assets	<u>337,606</u>	<u>175,342</u>	<u>313,214</u>	<u>769,063</u>	<u>535,917</u>	<u>492,451</u>	<u>233,780</u>
Accounts payable	2	1	2	4	3	2	1
Payable for portfolio units repurchased and investments purchased	469	110	157	571	407	570	527
Service and investment fees payable	142	71	135	344	244	239	119
Deferred revenue	192	100	178	437	305	280	133
Due to participants	279	145	259	638	444	408	194
Total liabilities	<u>1,084</u>	<u>427</u>	<u>731</u>	<u>1,994</u>	<u>1,403</u>	<u>1,499</u>	<u>974</u>
Total fiduciary net position, held in trust	<u>\$ 336,522</u>	<u>\$ 174,915</u>	<u>\$ 312,483</u>	<u>\$ 767,069</u>	<u>\$ 534,514</u>	<u>\$ 490,952</u>	<u>\$ 232,806</u>

<u>Fixed Income</u>	<u>Equity</u>	<u>Cash Reserve</u>	<u>U.S. Aggressive Equity Individual Fund Portfolio</u>	<u>U.S. Core Equity Individual Fund Portfolio</u>	<u>U.S. Small Cap Equity Individual Fund Portfolio</u>	<u>International Equity Individual Fund Portfolio</u>	<u>Global Fixed Income Individual Fund Portfolio</u>	<u>Total</u>
\$ 39,611	\$ 593,303	\$ 70,171	\$ 4,994	\$ 4,160	\$ 1,721	\$ 1,801	\$ 1,399	\$ 3,567,447
114	461	319	36	9	22	14	14	4,069
-	-	4	-	-	-	-	-	4
2	29	3	-	-	-	-	-	174
54	804	96	7	6	2	2	2	4,839
<u>39,781</u>	<u>594,597</u>	<u>70,593</u>	<u>5,037</u>	<u>4,175</u>	<u>1,745</u>	<u>1,817</u>	<u>1,415</u>	<u>3,576,532</u>
-	3	-	-	-	-	-	-	17
116	475	540	36	9	22	14	14	4,037
19	264	(3)	2	2	1	1	1	1,581
23	338	40	3	2	1	1	1	2,034
33	492	58	4	3	1	2	1	2,961
<u>191</u>	<u>1,572</u>	<u>635</u>	<u>45</u>	<u>16</u>	<u>25</u>	<u>18</u>	<u>17</u>	<u>10,631</u>
<u>\$ 39,590</u>	<u>\$ 593,025</u>	<u>\$ 69,958</u>	<u>\$ 4,992</u>	<u>\$ 4,159</u>	<u>\$ 1,720</u>	<u>\$ 1,799</u>	<u>\$ 1,398</u>	<u>\$ 3,565,902</u>

CollegInvest
Scholars Choice Fund
Supplementary Schedule – Combining Schedule of Changes in Fiduciary Net
Position
Year Ended June 30, 2014
(Dollar amounts expressed in thousands)

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7
Additions:							
Gross earnings on investments:							
Dividends	\$ 9,775	\$ 5,664	\$ 10,109	\$ 23,228	\$ 13,615	\$ 8,687	\$ 1,748
Net realized and unrealized gains (losses) from securities transactions	43,939	22,659	35,381	74,683	42,447	22,983	1,242
	<u>53,714</u>	<u>28,323</u>	<u>45,490</u>	<u>97,911</u>	<u>56,062</u>	<u>31,670</u>	<u>2,990</u>
Less investment fees	(63)	(21)	(35)	(207)	(186)	(119)	(42)
Net investment earnings	<u>53,651</u>	<u>28,302</u>	<u>45,455</u>	<u>97,704</u>	<u>55,876</u>	<u>31,551</u>	<u>2,948</u>
Participant contributions	64,727	28,828	36,858	67,140	38,748	34,243	16,960
Fees	<u>32</u>	<u>16</u>	<u>29</u>	<u>73</u>	<u>50</u>	<u>46</u>	<u>22</u>
Total additions	<u>118,410</u>	<u>57,146</u>	<u>82,342</u>	<u>164,917</u>	<u>94,674</u>	<u>65,840</u>	<u>19,930</u>
Deductions:							
Benefits paid to participants and withdrawals	15,845	3,625	6,275	42,450	11,058	51,764	88,612
Service fees	1,420	772	1,434	3,651	2,467	2,458	1,210
Administrative fees	181	102	178	434	290	271	129
Marketing expenses	32	16	29	73	50	46	22
Reduced operating expenses	<u>(70)</u>	<u>(36)</u>	<u>(65)</u>	<u>(161)</u>	<u>(111)</u>	<u>(102)</u>	<u>(49)</u>
Total deductions	<u>17,408</u>	<u>4,479</u>	<u>7,851</u>	<u>46,447</u>	<u>13,754</u>	<u>54,437</u>	<u>89,924</u>
Portfolio exchanges, net	<u>(32,067)</u>	<u>(41,402)</u>	<u>(46,110)</u>	<u>(40,697)</u>	<u>16,631</u>	<u>50,938</u>	<u>90,321</u>
Change in fiduciary net assets before transfers and change in due to participants	68,935	11,265	28,381	77,773	97,551	62,341	20,327
Administrative fee transfer	(51)	(27)	(48)	(117)	(81)	(75)	(35)
Change in due to participants	<u>(19)</u>	<u>(10)</u>	<u>(17)</u>	<u>(43)</u>	<u>(30)</u>	<u>(27)</u>	<u>(13)</u>
Change in net assets	68,865	11,228	28,316	77,613	97,440	62,239	20,279
Fiduciary net position, beginning of year	<u>267,657</u>	<u>163,687</u>	<u>284,167</u>	<u>689,456</u>	<u>437,074</u>	<u>428,713</u>	<u>212,527</u>
Fiduciary net position, end of year	<u>\$ 336,522</u>	<u>\$ 174,915</u>	<u>\$ 312,483</u>	<u>\$ 767,069</u>	<u>\$ 534,514</u>	<u>\$ 490,952</u>	<u>\$ 232,806</u>

Fixed Income	Equity	Cash Reserve	U.S. Aggressive Equity Individual Fund Portfolio	U.S. Core Equity Individual Fund Portfolio	U.S. Small Cap Equity Individual Fund Portfolio	International Equity Individual Fund Portfolio	Global Fixed Income Individual Fund Portfolio	Total
\$ 1,518	\$ 16,845	\$ 164	\$ 15	\$ 120	\$ 51	\$ 9	\$ 38	\$ 91,586
1,210	95,663	-	710	318	119	49	59	341,462
2,728	112,508	164	725	438	170	58	97	433,048
(7)	(137)	(118)	-	-	-	(1)	-	(936)
2,721	112,371	46	725	438	170	57	97	432,112
4,226	40,301	19,062	2,295	1,592	927	821	387	357,115
4	57	7	-	-	-	-	-	336
6,951	152,729	19,115	3,020	2,030	1,097	878	484	789,563
10,820	43,591	31,416	114	126	52	24	50	305,822
229	2,722	5	10	12	4	5	5	16,404
25	331	41	2	1	1	1	1	1,988
4	57	7	-	-	-	-	-	336
(8)	(123)	(15)	(1)	(1)	-	-	-	(742)
11,070	46,578	31,454	125	138	57	30	56	323,808
(4,893)	(12,496)	15,927	1,221	1,589	327	633	78	-
(9,012)	93,655	3,588	4,116	3,481	1,367	1,481	506	465,755
(6)	(90)	(11)	(1)	(1)	-	-	-	(543)
(2)	(34)	(4)	-	-	-	-	-	(199)
(9,020)	93,531	3,573	4,115	3,480	1,367	1,481	506	465,013
48,610	499,494	66,385	877	679	353	318	892	3,100,889
\$ 39,590	\$ 593,025	\$ 69,958	\$ 4,992	\$ 4,159	\$ 1,720	\$ 1,799	\$ 1,398	\$ 3,565,902

CollegInvest
Scholars Choice Fund
Supplementary Schedule – Combining Schedule of Investments
June 30, 2014
(Dollar amounts expressed in thousands)

	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7
Underlying funds:							
Western Asset Core Plus Bond Portfolio	\$ 55,425	\$ 43,259	\$ 106,243	\$ 225,218	\$ 105,406	\$ 74,187	\$ -
Legg Mason ClearBridge Aggressive Growth Fund	59,997	27,141	42,060	86,523	58,671	32,204	-
Legg Mason BW Diversified Large Cap Value Fund (b)	57,207	26,277	40,870	84,391	57,466	31,462	-
Western Asset Institutional Liquid Reserves (a)	-	-	-	-	50,157	118,253	115,178
Western Asset Short-Term Bond Fund	-	-	-	72,022	77,080	119,851	70,043
Thornburg International Value Fund (b)	51,472	23,390	36,306	74,996	20,661	-	-
Legg Mason ClearBridge Appreciation Fund	38,031	17,486	26,498	55,666	37,072	20,437	-
Legg Mason Batterymarch U.S. Large Cap Equity Fund	38,578	17,492	26,810	55,194	37,734	20,681	-
Western Asset Inflation Indexed Plus Bond Portfolio	-	-	-	37,748	52,943	74,089	47,683
Western Asset Global High Yield Bond Fund	9,708	7,780	15,170	37,958	26,123	-	-
Royce Pennsylvania Mutual Fund	13,040	6,134	9,439	18,774	6,112	-	-
Legg Mason ClearBridge Small Cap Growth Fund	12,935	5,942	9,168	18,776	5,159	-	-
Legg Mason BW Global Opportunities Bond Fund	-	-	-	-	-	-	-
Repurchase agreement	67	29	10	143	189	57	16
Total investments, at fair value	<u>\$ 336,460</u>	<u>\$ 174,930</u>	<u>\$ 312,574</u>	<u>\$ 767,409</u>	<u>\$ 534,773</u>	<u>\$ 491,221</u>	<u>\$ 232,920</u>

<u>Fixed Income</u>	<u>Equity</u>	<u>Cash Reserve</u>	<u>U.S. Aggressive Equity Individual Fund Portfolio</u>	<u>U.S. Core Equity Individual Fund Portfolio</u>	<u>U.S. Small Cap Equity Individual Fund Portfolio</u>	<u>International Equity Individual Fund Portfolio</u>	<u>Global Fixed Income Individual Fund Portfolio</u>	<u>Total</u>
\$ 29,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 639,488
-	129,664	-	4,994	-	-	-	-	441,254
-	125,816	-	-	-	-	-	-	423,489
-	-	69,939	-	-	-	-	-	353,527
-	-	-	-	-	-	-	-	338,996
-	112,818	-	-	-	-	1,801	-	321,444
-	83,385	-	-	4,160	-	-	-	282,735
-	84,688	-	-	-	-	-	-	281,177
5,862	-	-	-	-	-	-	-	218,325
3,988	-	-	-	-	-	-	-	100,727
-	28,744	-	-	-	1,721	-	-	83,964
-	27,862	-	-	-	-	-	-	79,842
-	-	-	-	-	-	-	1,399	1,399
11	326	232	-	-	-	-	-	1,080
<u>\$ 39,611</u>	<u>\$ 593,303</u>	<u>\$ 70,171</u>	<u>\$ 4,994</u>	<u>\$ 4,160</u>	<u>\$ 1,721</u>	<u>\$ 1,801</u>	<u>\$ 1,399</u>	<u>\$ 3,567,447</u>

CollegInvest
Direct Portfolio Fund
Supplementary Schedule – Combining Schedule of Fiduciary Net Position
June 30, 2014
(Dollar amounts expressed in thousands)

	Aggressive Growth	Growth	Moderate Growth	Conservative Growth	Income	Stock Index	Bond Index	Money Market	Total
Fiduciary assets:									
Investments, at fair value	\$ 416,085	\$ 445,861	\$ 423,043	\$ 351,677	\$ 243,635	\$ 211,662	\$ 35,736	\$ 95,086	\$ 2,222,785
Dividends and interest receivable	-	195	367	460	217	-	76	5	\$ 1,319
Due from plan managers	20	22	21	17	12	10	2	5	109
Due from Student Loan Program Funds	171	183	174	145	100	87	15	39	914
Total fiduciary assets	416,276	446,261	423,605	352,299	243,964	211,759	35,829	95,135	2,225,127
Liabilities:									
Accounts payable	2	2	2	3	1	1	-	1	12
Service and investment fees payable	120	127	118	95	63	64	10	5	602
Deferred revenue	189	202	192	161	111	96	16	43	1,010
Total liabilities	311	331	312	259	175	161	26	49	1,624
Total fiduciary net position, held in trust	\$ 415,965	\$ 445,930	\$ 423,294	\$ 352,040	\$ 243,789	\$ 211,598	\$ 35,804	\$ 95,086	\$ 2,223,503

CollegInvest
Direct Portfolio Fund
Supplementary Schedule – Combining Schedule of Changes in Fiduciary Net Position
June 30, 2014
(Dollar amounts expressed in thousands)

	Aggressive Growth	Growth	Moderate Growth	Conservative Growth	Income	Stock Index	Bond Index	Money Market	Total
Additions:									
Gross earnings on investments:									
Dividends	\$ 8,155	\$ 8,889	\$ 8,793	\$ 7,514	\$ 4,237	\$ 3,482	\$ 988	\$ 139	\$ 42,197
Net realized and unrealized gains (losses) from securities transactions	71,552	60,351	42,109	21,103	3,247	36,444	509	-	235,315
	79,707	69,240	50,902	28,617	7,484	39,926	1,497	139	277,512
Less investment fees	(132)	(158)	(169)	(155)	(155)	(36)	(18)	(87)	(910)
Net investment earnings	79,575	69,082	50,733	28,462	7,329	39,890	1,479	52	276,602
Participant contributions	60,154	63,971	51,626	38,826	35,490	25,824	5,380	34,874	316,145
Fees	71	76	72	60	42	36	6	16	379
Total additions	139,800	133,129	102,431	67,348	42,861	65,750	6,865	34,942	593,126
Deductions:									
Benefits paid to participants and withdrawals	9,142	10,155	13,002	15,022	54,028	8,528	4,915	35,691	150,483
Service fees	1,315	1,397	1,346	1,117	733	677	122	(5)	6,702
Administrative fees	221	236	231	194	135	109	21	52	1,199
Marketing expenses	71	76	72	60	42	36	6	16	379
Excess operating expenses	73	79	74	62	43	37	6	17	391
Total deductions	10,822	11,943	14,725	16,455	54,981	9,387	5,070	35,771	159,154
Portfolio exchanges, net	(28,752)	(15,926)	(12,649)	1,451	31,350	5,872	(4,511)	23,165	-
Change in fiduciary net position before transfers	100,226	105,260	75,057	52,344	19,230	62,235	(2,716)	22,336	433,972
Intraplan administrative fee transfer	73	79	74	62	43	37	6	17	391
Change in net position	100,299	105,339	75,131	52,406	19,273	62,272	(2,710)	22,353	434,363
Fiduciary net position, beginning of year	315,666	340,591	348,162	299,634	224,516	149,326	38,513	72,733	1,789,141
Fiduciary net position, end of year	\$ 415,965	\$ 445,930	\$ 423,293	\$ 352,040	\$ 243,789	\$ 211,598	\$ 35,803	\$ 95,086	\$ 2,223,504

CollegInvest
Direct Portfolio Fund
Supplementary Schedule – Combining Schedule of Investments
June 30, 2014
(Dollar amounts expressed in thousands)

	Aggressive Growth	Growth	Moderate Growth	Conservative Growth	Income	Stock Index	Bond Index	Money Market	Total
Underlying funds:									
Vanguard Institutional Total Stock Market Index Fund Institutional Plus Shares	\$ 332,775	\$ 267,829	\$ 171,800	\$ 72,253	\$ -	\$ 211,614	\$ -	\$ -	\$ 1,056,271
Vanguard Total Bond Market II Index Fund Institutional Shares	-	88,762	166,996	209,232	97,385	-	-	-	562,375
Vanguard Total International Stock Index Fund Institutional Plus Shares	83,161	66,892	42,297	17,743	-	-	-	-	210,093
Vanguard Prime Money Market Fund Institutional Shares	-	-	-	-	60,697	-	-	95,078	155,775
Vanguard Total International Bond Index Fund Institutional Shares	-	22,194	41,815	52,393	24,351	-	-	-	140,753
Vanguard Inflation-Protected Securities Fund Institutional Shares	-	-	-	-	61,220	-	-	-	61,220
Vanguard Total Bond Market Index Fund Institutional Plus Shares	-	-	-	-	-	-	35,727	-	35,727
Vanguard Cash Management Trust	149	184	135	56	(18)	48	9	8	571
Total investments, at fair value	<u>\$ 416,085</u>	<u>\$ 445,861</u>	<u>\$ 423,043</u>	<u>\$ 351,677</u>	<u>\$ 243,635</u>	<u>\$ 211,662</u>	<u>\$ 35,736</u>	<u>\$ 95,086</u>	<u>\$ 2,222,785</u>

CollegInvest Smart Choice Fund

Supplementary Schedule – Combining Schedule of Fiduciary Net Position

June 30, 2014

(Dollar amounts expressed in thousands)

	<u>Money Market Savings</u>	<u>One Year Savings</u>	<u>Total</u>
Fiduciary assets:			
Cash and cash equivalents	\$ 15,933	\$ 18,444	\$ 34,377
Due from Plan Manager	1	2	3
Due (to) Plan Manager	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Total fiduciary assets	<u>15,933</u>	<u>18,444</u>	<u>34,377</u>
 Total fiduciary net position, held in trust	 <u><u>\$ 15,933</u></u>	 <u><u>\$ 18,444</u></u>	 <u><u>\$ 34,377</u></u>

**CollegInvest
Smart Choice Fund**

**Supplementary Schedule – Combining Schedule of Changes in Fiduciary Net
Position**

Year Ended June 30, 2014

(Dollar amounts expressed in thousands)

	<u>Money Market Savings</u>	<u>One Year Savings</u>	<u>Total</u>
Additions			
Gross earnings on investments:			
Interest	\$ 39	\$ 88	\$ 127
Net investment earnings	<u>39</u>	<u>88</u>	<u>127</u>
Participant contributions	24,803	6,746	31,549
Fees	<u>13</u>	<u>16</u>	<u>29</u>
Total additions	<u>24,855</u>	<u>6,850</u>	<u>31,705</u>
Deductions			
Benefits paid to participants and withdrawals	22,221	1,375	23,596
Administrative fees	13	16	29
Excess operating expenses	<u>13</u>	<u>14</u>	<u>27</u>
Total deductions	<u>22,247</u>	<u>1,405</u>	<u>23,652</u>
Portfolio exchanges, net	<u>346</u>	<u>(346)</u>	<u>-</u>
Net change in fiduciary net position before transfers	2,954	5,099	8,053
Intraplan administrative fee transfer	<u>13</u>	<u>14</u>	<u>27</u>
Change in net position	2,967	5,113	8,080
Fiduciary net position, beginning of year	<u>12,966</u>	<u>13,331</u>	<u>26,297</u>
Fiduciary net position, end of year	<u>\$ 15,933</u>	<u>\$ 18,444</u>	<u>\$ 34,377</u>

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each fiduciary fund of CollegeInvest College Savings Program Funds (the Funds) (a division of the Department of Higher Education, State of Colorado) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated December 4, 2014, which contained a paragraph emphasizing a matter regarding the financial statements.

Internal Control Over Financial Reporting

Management of the Funds is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Funds' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Funds' financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
December 4, 2014

Independent Auditors' Communication to Legislative Audit Committee

Members of the Legislative Audit Committee

As part of our audit of the financial statements of CollegeInvest College Savings Program Funds as of and for the year ended June 30, 2014, we wish to communicate the following to you.

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in Government Auditing Standards Issued by the Comptroller General of the United States

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The College Savings Program Funds' significant accounting policies are described in Note 1 of the audited financial statements.

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions, as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- No matters are reportable

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- No matters are reportable

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- No matters are reportable

Proposed Audit Adjustments Not Recorded

- No matters are reportable

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the College Savings Program Funds' application of accounting principles:

- No matters are reportable

Disagreements with Management

The following matters involved disagreements which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements:

- No matters are reportable

Consultation with Other Accountants

During our audit, we became aware that management had consulted with other accountants about the following auditing or accounting matters:

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- No matters are reportable

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Written Communications

Listed below are other material written communications between management and us related to the audit:

- Management representation letter

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This letter is intended solely for the information and use of the Legislative Audit Committee, Office of the State Auditor, management and others within CollegeInvest, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Denver, Colorado
December 4, 2014