

CollegeCountsSM

Alabama's 529 Fund

Auditor's Report and Financial Statements

September 30, 2014



Offered by the
State of Alabama

UBT 529 Fund Services a Division of



Program Manager

CollegeCounts 529 Fund
September 30, 2014

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited).....	3
Financial Statements	
Statement of Fiduciary Net Position.....	6
Statement of Changes in Fiduciary Net Position.....	7
Notes to Financial Statements	8
Supplemental Schedules	
Schedule of Fiduciary Net Position by Portfolio.....	18
Schedule of Changes in Fiduciary Net Position and Financial Highlights by Portfolio.....	24
Schedule of Investments (Age-Based Target Portfolios)	30
Combining Schedule of Fiduciary Net Position	31
Combining Schedule of Changes in Fiduciary Net Position	32
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 <i>Government Auditing Standards</i>.....	33
Independent Accountant’s Report	35

Independent Auditor's Report

Members of the Board of Trustees of CollegeCounts 529 Fund
UBT 529 Fund Services, a Division of Union Bank & Trust Company (Program Manager)
Montgomery, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the CollegeCounts 529 Fund, which are comprised of a statement of fiduciary net position and statement of changes in fiduciary net position and the related notes to the financial statements for the year ended September 30, 2014, as 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 an opinion on these financial statements based on our audit. We conducted our 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the CollegeCounts 529 Fund as of September 30, 2014, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the 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 an opinion on the financial statements as a whole. The supplementary information listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the CollegeCounts 529 Fund's 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 CollegeCounts 529 Fund's internal control over financial reporting and compliance.

BKD, LLP

Lincoln, Nebraska
December 11, 2014

CollegeCounts 529 Fund Direct Plan Management's Discussion and Analysis

The following is a discussion and analysis of the financial performance of the State of Alabama's CollegeCounts 529 Fund Direct Plan (the "Plan") as of September 30, 2014, and for year then ended. CollegeCounts 529 Fund assets are held in the Alabama College Education Savings ("ACES") Trust Fund. Union Bank & Trust Company ("Union Bank") manages the CollegeCounts 529 Fund under a Program Management Agreement with the Board of Trustees of the ACES Trust Fund. The CollegeCounts 529 Fund is intended to be a qualified state tuition program under Section 529 of the Internal Revenue Code. The CollegeCounts 529 Fund was created pursuant to an Alabama statute to encourage the investment of funds to be used for qualified higher education expenses at eligible educational institutions. You should consider the information presented in this section in conjunction with the Plan's financial statements and the Notes to the Financial Statements.

CollegeCounts 529 Fund Direct Plan

The Plan is one of two 529 college savings plans offered by the CollegeCounts 529 Board to help families save for college. The CollegeCounts 529 Direct Plan contains accounts that are opened directly with the Plan. The Direct Plan had \$228.5 million in net position as of September 30, 2014. The CollegeCounts 529 Board oversees the Direct Plan. Union Bank & Trust Company serves as Program Manager.

The Direct Plan offers investors 3 Age-Based Options, 6 Target Portfolios, and 26 Individual Fund Portfolios that are invested in underlying mutual funds from DFA, Dodge & Cox, Vanguard, T. Rowe Price, Fidelity and PIMCO.

Financial Highlights

The following financial highlights occurred during the year ended September 30, 2014 and 2013:

- The Plan had contributions of \$50.3 million and withdrawals of \$11.9 million during 2014 and contributions of \$44.2 million and withdrawals of \$8.5 million during 2013, an increase of 14% in contributions and 40% in withdrawals during 2014;
- At September 30, 2014, the Plan's net position totaled \$228.5 million, an increase of \$55.9 million, or 32% since September 30, 2013;
- The Plan earned \$4.6 million and \$4.0 million from investment income and recognized \$13.4 million and \$12.6 million from net realized gain (loss) and net appreciation (depreciation) in fair value of investments during 2014 and 2013, respectively. The Plan incurred \$0.5 million and \$0.4 million, respectively, for operating expenses during 2014 and 2013.

Overview of the Financial Statements

The Plan's financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

This report consists of two parts: management’s discussion and analysis (this section) and the basic financial statements. The basic financial statements consist of a Statement of Fiduciary Net Position, a Statement of Changes in Fiduciary Net Position and Notes to the Financial Statements that explain some of the information in the financial statements and provide more detailed information.

The Statement of Fiduciary Net Position presents information on the Plan’s assets and liabilities, with the difference between the two reported as net position as of September 30, 2014. This statement is prepared using the accrual basis of accounting. Contributions and withdrawals are recognized on trade date; expenses and liabilities are recognized when services are provided, regardless of when cash is received or paid.

The Statement of Changes in Fiduciary Net Position presents information showing how the Plan’s net position changed during the year ended September 30, 2014, another important factor that needs to be considered in order to determine the financial health of the CollegeCounts 529 Fund. This statement presents information showing how the Plan’s net position changed during the year ended September 30, 2014, based on activities from securities transactions and market activity. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

The Notes to the Financial Statements provide additional information that is integral to a full understanding of the data provided in the basic financial statements. As a fiduciary fund, the CollegeCounts 529 Fund Trust assets do not represent discretionary assets of the State of Alabama to finance its operations. CollegeCounts 529 Fund Trust assets can only be used for the benefit of account owners and beneficiaries of the Plan.

Financial Analysis

Net Position

The following is a condensed Statement of Fiduciary Net Position for the Program as of September 30:

	<u>2014</u>	<u>2013</u>
Total Assets	\$228,606,943	\$173,120,671
Less Total Liabilities	<u>145,901</u>	<u>540,909</u>
Net Position Held In Trust	<u><u>\$228,461,042</u></u>	<u><u>\$172,579,762</u></u>

Investments make up more than 99% of total net position, and consist of 33 Investment Portfolios in 2014, each of which is invested in one or more underlying mutual funds. Net position represents cumulative contributions from participants plus net increases/decreases from operations less redemptions and expenses. Liabilities consist of payables for securities purchased, payables for withdrawals, payables for reinvestment of net investment income and payables for accrued expenses.

Total assets increased by \$55.5 million, or 32%, from September 30, 2013 to September 30, 2014 due primarily to net contributions (participant contributions less redemptions and withdrawals) of \$38.4 million and increases from operations (investment income and net realized gain (loss) and appreciation (depreciation) in fair value of investments) of \$18.0 million which were offset by expenses of \$0.5 million. Total liabilities decreased \$0.4 million due primarily to the timing of withdrawals requested by participants and amounts payables for securities purchased, which is a reflection of investment decisions made by participants and the corresponding action taken by the program manager to process required transactions.

Changes in Fiduciary Net Position

The following is a condensed Statement of Changes in Fiduciary Net Position for the year ended September 30:

	<u>2014</u>	<u>2013</u>
Total Additions	\$ 54,870,574	\$ 48,250,870
Total Deductions	12,412,177	8,841,622
Net Realized Gain and Net Appreciation in Fair Value of Investments	<u>13,422,883</u>	<u>12,570,199</u>
Net Increase	55,881,280	51,979,447
Net Position Held in Trust, Beginning of Year	<u>172,579,762</u>	<u>120,600,315</u>
Net Position Held in Trust, End of Year	<u>\$ 228,461,042</u>	<u>\$ 172,579,762</u>

Total additions increased \$6.6 million or 13.7%, due to an increase in contributions from participants of \$6.0 million and an increase in investment income of \$0.6 million. Total deductions increased \$3.6 million or 40.3%, due to an increase in withdrawals and redemptions of \$3.5 million and an increase in fees of \$0.1 million. Net realized gains (losses) and appreciation (depreciation) in fair value of investments was \$13.4 million and \$12.6 million for the years ended September 30, 2014 and 2013, respectively. Increases and decreases in net realized and unrealized gains and losses on investment transactions, as well as changes in investment income, reflect market conditions during each corresponding year. Fees are charged to participants as a percentage of daily net position and therefore, fluctuate based on changes in fiduciary net position.

CollegeCounts 529 Fund
Statement of Fiduciary Net Position
September 30, 2014

Fiduciary Assets

Investments, at fair value	\$ 227,456,582
Cash	984,167
Receivables for contributions	71,519
Accrued investment income	<u>94,675</u>
Total fiduciary assets	<u>228,606,943</u>

Liabilities

Distributions payable to shareholders	23
Withdrawals payable	13,688
Accrued expenses	<u>132,190</u>
Total liabilities	<u>145,901</u>

Fiduciary Net Position Held In Trust	<u><u>\$ 228,461,042</u></u>
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CollegeCounts 529 Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2014

Additions

Contributions	\$ 50,258,869	
Investment income		
Dividends and interest	4,611,705	<u>4,611,705</u>
Total additions		<u>54,870,574</u>

Deductions

Withdrawals	11,907,819	
Management fees	504,358	<u>504,358</u>
Total deductions		<u>12,412,177</u>

Net Realized Gain and Net Appreciation in Fair Value of Investments		<u>13,422,883</u>
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Net Increase		55,881,280
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Fiduciary Net Position Held in Trust, Beginning of Year		<u>172,579,762</u>
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Fiduciary Net Position Held in Trust, End of Year		<u><u>\$ 228,461,042</u></u>
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CollegeCounts 529 Fund

Notes to the Financial Statements

September 30, 2014

Note 1: Description of the Plan

The following provides a brief description of the CollegeCounts 529 Fund (the “Plan”). For more information about the Plan, call 866.529.2228 or visit www.CollegeCounts529.com to obtain a Disclosure Statement.

General

The Plan is one of two college savings plans offered by the Alabama College Education Savings (ACES) Program (the Program) to help individuals and families save for higher education costs. This Plan and the CollegeCounts 529 Fund Advisor Plan, which were established as authorized under the Wallace Folsom College Savings Investment Plan Act, 16-33C-1 to 16-33C-13 of the Code of Alabama 1975, as amended from time to time, are designed to comply with the requirements for treatment as a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended, and any regulations and other guidance issued there under (Section 529). The Board of Trustees of the ACES Trust Fund (the Board) administers the Program and has oversight responsibility for establishing rules and regulations governing operation of the plans, overseeing the administration of the plans and ensuring that the plans comply with state and federal laws and regulations. The Board acts as trustee of the Plan and is responsible for the overall administration of the Program. The Board has delegated day-to-day administration of the Program to the Alabama State Treasurer.

Plan assets are held for the benefit of account owners and their designated beneficiaries in the CollegeCounts 529 Fund, thereby ensuring the assets of the Plan can only be used for the benefit of account owners and their beneficiaries and cannot be used by the State of Alabama to finance its operations.

These financial statements present only the activities and balances attributable to the CollegeCounts 529 Fund and do not include any balances or activities attributable to the CollegeCounts 529 Fund Advisor Plan. See the attached supplementary information which includes Combining Schedules for the two college savings plans and the transfers of contributions and withdrawals between plans. The audited financial statements of the CollegeCounts 529 Fund Advisor Plan are available separately.

Plan Administration

UBT 529 Fund Services (Union Bank), a division of Union Bank & Trust Company (the Program Manager), serves as the agent responsible for the custody of the Plan’s assets. The Program Manager has engaged Wilshire Associates, Inc. (Wilshire) to advise with respect to the structures, underlying investments, and asset allocations of the Plan.

CollegeCounts 529 Fund
Notes to the Financial Statements
September 30, 2014

Note 2: Significant Accounting Policies

Basis of Accounting

The Plan prepares its financial statements in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The Plan's financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America applicable to special-purpose governments engaged in fiduciary activities. Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Investments

The Plan's investment alternatives are made available through investment portfolios (the Portfolios), each of which represents a separate, segregated portfolio of investments in mutual funds (the Underlying Funds). The Program Manager and Wilshire develop and recommend the asset allocations for each Portfolio to the Board of Trustees for approval.

Investments in the Underlying Funds are valued at the closing net position value per share of each Underlying Fund determined as of the close of the New York Stock Exchange on the day of valuation, which approximates fair value. Net realized and unrealized gains and losses are reported as net appreciation or depreciation in fair value of investments in the Statement of Changes in Fiduciary Net Position. Purchases and sales of Underlying Fund shares are recorded on a trade date basis. Dividend income and any capital gain distributions are recorded on the ex-dividend date as an accrual and are automatically reinvested in additional shares of the respective Underlying Fund.

Cash

Cash generally includes account owner contributions that have not been invested in Underlying Funds or redemption proceeds from Underlying Funds that have not yet been distributed in accordance with account owner instruction. These transactions are processed through the Program Manager.

Distributions Payable to Shareholders

Distributions payable to shareholders represent income distributions from money market investment funds that have not yet been distributed in accordance with each account owner's instruction.

CollegeCounts 529 Fund
Notes to the Financial Statements
September 30, 2014

Note 2: Significant Accounting Policies - Continued

Contributions

Individuals or entities that have properly executed an enrollment form with the Plan may establish an account to which cash contributions may be made, subject to certain account balance limitations. Contributions received prior to the close of the New York Stock Exchange are recorded as increases in net position on the date they are received, provided that all related documentation is found to be in good order.

Account owners may elect to invest their contributions in one or more of several different investment options, which are Individual Fund Portfolios, Age-Based Portfolios or Target Portfolios based upon the account owner's investing preference and risk tolerance. The investment options are composed of mutual funds and one money-market fund offered by PIMCO, Vanguard, T. Rowe Price, DFA, Dodge & Cox and Fidelity ("Investment Managers").

On August 1, 2014, the Plan added new investment alternatives in order to provide additional diversification and enhance investment options. The Plan added the following new Underlying Funds within the Individual Fund Portfolios: DFA U.S. Large Cap Value Portfolio, DFA U.S. Small Cap Value Portfolio, Dodge & Cox International Stock Fund, T. Rowe Price Institutional Large-Cap Growth Fund, and Vanguard Explorer Fund.

The Individual Fund Portfolios consist of 26 single mutual funds. The six Target Portfolios are allocated among equity, real estate, fixed income, and money market securities. These allocations are maintained over the life of the account.

The account owner may also choose from three Age-Based options. These have been designed by the Program, the Program Manager, and Wilshire to allow account owners to select a Portfolio based upon the beneficiary's age and risk tolerance. Money invested in these investment options is allocated to individual Target Portfolios and is automatically adjusted at pre-set intervals over time to become more conservative as the beneficiary's year of enrollment in college draws nearer.

Contributions by a participant are evidenced through the issuance of units in a particular Portfolio. Although money contributed to the Plan is invested in portfolio options that hold mutual funds, the Plan units themselves are not direct investments in the mutual funds. The units issued by the Plan are not insured by the FDIC, the Program Manager, or the State of Alabama nor have they been registered with the Securities and Exchange Commission or any state commission. Although the account owners can direct the portfolio options in which their contributions are invested, they cannot direct the selection or allocation of the Underlying Funds comprising each portfolio option.

CollegeCounts 529 Fund
Notes to the Financial Statements
September 30, 2014

Note 2: Significant Accounting Policies - Continued

Withdrawals

Account owners may request withdrawals for qualified or nonqualified expenses. It is the responsibility of the account owner to determine whether the withdrawal is for qualified or nonqualified purposes and to calculate the applicable amount of federal or state tax or penalties for nonqualified withdrawals, if any. Withdrawals are recorded as deductions from net position on the date the withdrawal request is found to be in good order and approved for payment. Withdrawals, as presented on the Statement of Changes in Fiduciary Net Position, include annual account fees as more fully discussed in Note 4.

Unit Valuation

Each account owner's full and/or fractional interest in a portfolio option is evidenced by a unit. The net position value of a unit in a portfolio option is calculated daily based on the fair market value of the Underlying Funds, adjusted for the effects of such transactions as accrued administrative fees, contributions and withdrawal requests that have been approved but have not yet been processed, and investment income that has not been reinvested in the Underlying Funds. The value of any individual account is determined by multiplying the number of units in a portfolio attributable to that account holder by the net position value per unit of that portfolio.

Exchanges

As explained above, for each of the Age-Based Options, account balances will automatically be exchanged from one portfolio to another more conservative portfolio as the beneficiary gets older. In addition, subject to certain limitations and restrictions, account owners may generally direct that their account balance be reinvested in a different portfolio option one time each calendar year. The transfers of funds between portfolios are referred to as "exchanges". The amounts of contributions and withdrawals reported in the Statement of Changes in Fiduciary Net Position do not include these exchanges, as they have no impact on the overall financial position of the Plan.

Income Taxes

The Plan has been designed to comply with the requirements for treatment as a qualified tuition program under Section 529 of the Internal Revenue Code, and is exempt from federal and state income tax. Therefore, no provision for income tax is required.

Use of Estimates

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

CollegeCounts 529 Fund
Notes to the Financial Statements
September 30, 2014

Note 3: Investments

The Underlying Fund allocations at September 30, 2014, are as follows:

Portfolio	Investment	Balance
DFA U.S. Large Cap Value 529 Portfolio	DFA U.S. Large Cap Value Portfolio	\$ 51,200
DFA U.S. Small Cap Value 529 Portfolio	DFA U.S. Small Cap Value Portfolio	349,911
Dodge & Cox International Stock 529 Portfolio	Dodge & Cox International Stock Fund	131,654
Fidelity Advisor Investment Grade Bond 529 Portfolio	Fidelity Advisor Investment Grade Bond Fund	140,856
PIMCO Short-Term 529 Portfolio	PIMCO Short-Term Fund	1,283,231
PIMCO Total Return 529 Portfolio	PIMCO Total Return Fund	5,717,621
T. Rowe Price Balanced 529 Portfolio	T. Rowe Price Balanced Fund	3,673,354
T. Rowe Price Large-Cap Growth 529 Portfolio	T. Rowe Price Institutional Large-Cap Growth Fund	8,705
Vanguard 500 Index 529 Portfolio	Vanguard Institutional Index Fund	7,978,097
Vanguard Explorer 529 Portfolio	Vanguard Explorer Fund	17,906
Vanguard Extended Market Index 529 Portfolio	Vanguard Extended Market Index Fund	829,907
Vanguard Growth Index 529 Portfolio	Vanguard Growth Index Fund	3,321,368
Vanguard Inflation-Protected Securities 529 Portfolio	Vanguard Inflation-Protected Securities Fund	859,099
Vanguard Intermediate-Term Bond Index 529 Portfolio	Vanguard Intermediate-Term Bond Index Fund	714,712
Vanguard Mid-Cap Index 529 Portfolio	Vanguard Mid-Cap Index Fund	4,175,304
Vanguard Prime Money Market 529 Portfolio	Vanguard Prime Money Market Fund	4,241,666
Vanguard REIT Index 529 Portfolio	Vanguard REIT Index Fund	1,870,031
Vanguard Small-Cap Growth Index 529 Portfolio	Vanguard Small-Cap Growth Index Fund	2,173,967
Vanguard Small-Cap Index 529 Portfolio	Vanguard Small-Cap Index Fund	1,245,800
Vanguard Small-Cap Value Index 529 Portfolio	Vanguard Small-Cap Value Index Fund	2,232,252
Vanguard Total Bond Market Index 529 Portfolio	Vanguard Total Bond Market Index Fund	1,146,873
Vanguard Total International Stock Index 529 Portfolio	Vanguard Total International Stock Index Fund	4,894,216
Vanguard Total Stock Market Index 529 Portfolio	Vanguard Total Stock Market Index Fund	5,069,812
Vanguard Value Index 529 Portfolio	Vanguard Value Index Fund	2,951,176
Vanguard Short-Term Inflation-Protected 529 Portfolio	Vanguard Short-Term Inflation-Protected Securities Index Fund	32,391
Vanguard Short-Term Bond Index 529 Portfolio	Vanguard Short-Term Bond Index Fund	456,208
CollegeCounts Conservative Money Market Fund	Vanguard Prime Money Market Fund	856,908
CollegeCounts Fixed Income Fund	Vanguard Short-Term Inflation-Protected Securities Index Fund	1,605,742
CollegeCounts Fixed Income Fund	Vanguard Short-Term Bond Index Fund	428,196
CollegeCounts Fixed Income Fund	Vanguard Total Bond Market Index Fund	642,036
CollegeCounts Fixed Income Fund	Vanguard Prime Money Market Fund	3,019,282
Total CollegeCounts Fixed Income Fund		<u>5,695,256</u>
CollegeCounts Fund 20	Vanguard Total Stock Market Index Fund	2,326,993
CollegeCounts Fund 20	Vanguard Short-Term Inflation-Protected Securities Index Fund	3,512,591
CollegeCounts Fund 20	Vanguard Short-Term Bond Index Fund	5,122,030
CollegeCounts Fund 20	Vanguard Total Bond Market Index Fund	1,609,894
CollegeCounts Fund 20	Vanguard Total International Stock Index Fund	572,402
CollegeCounts Fund 20	Vanguard Prime Money Market Fund	1,480,757
Total CollegeCounts Fund 20		<u>14,624,667</u>

CollegeCounts 529 Fund

Notes to the Financial Statements

September 30, 2014

Note 3: Investments - Continued

Portfolio	Investment	Balance
CollegeCounts Fund 40	Vanguard Total Stock Market Index Fund	\$ 7,486,231
CollegeCounts Fund 40	Vanguard Short-Term Inflation- Protected Securities Index Fund	2,757,582
CollegeCounts Fund 40	Vanguard Short-Term Bond Index Fund	11,329,538
CollegeCounts Fund 40	Vanguard Total Bond Market Index Fund	2,479,548
CollegeCounts Fund 40	Vanguard Total International Stock Index Fund	2,943,212
CollegeCounts Fund 40	Vanguard REIT Index Fund	407,750
Total CollegeCounts Fund 40		27,403,861
CollegeCounts Fund 60	Vanguard Total Stock Market Index Fund	12,703,802
CollegeCounts Fund 60	Vanguard Short-Term Inflation- Protected Securities Index Fund	1,781,438
CollegeCounts Fund 60	Vanguard Short-Term Bond Index Fund	9,977,754
CollegeCounts Fund 60	Vanguard Total Bond Market Index Fund	2,489,837
CollegeCounts Fund 60	Vanguard Total International Stock Index Fund	7,319,413
CollegeCounts Fund 60	Vanguard REIT Index Fund	1,057,570
Total CollegeCounts Fund 60		35,329,814
CollegeCounts Fund 80	Vanguard Total Stock Market Index Fund	20,735,403
CollegeCounts Fund 80	Vanguard Short-Term Bond Index Fund	6,705,938
CollegeCounts Fund 80	Vanguard Total Bond Market Index Fund	2,230,131
CollegeCounts Fund 80	Vanguard Total International Stock Index Fund	12,247,557
CollegeCounts Fund 80	Vanguard REIT Index Fund	2,210,834
Total CollegeCounts Fund 80		44,129,863
CollegeCounts Fund 100	Vanguard Total Stock Market Index Fund	25,572,026
CollegeCounts Fund 100	Vanguard Total International Stock Index Fund	15,202,030
CollegeCounts Fund 100	Vanguard REIT Index Fund	3,074,840
Total CollegeCounts Fund 100		43,848,896
		\$ 227,456,582

The following table reconciles the fair value of investments to the net position held in trust at September 30, 2014:

Fair value of investments, end of year	\$ 227,456,582
Plus cash, receivables and accrued investment income	1,150,361
Less payables and accrued expenses	(145,901)
Net position held in trust, end of year	\$ 228,461,042

CollegeCounts 529 Fund
Notes to the Financial Statements
September 30, 2014

Note 3: Investments - Continued

The following table calculates the net realized gain and net appreciation in the value of investments for the year ended September 30, 2014:

Fair value of investments, end of year	\$ 227,456,582
Less cost of investments purchased and investment income reinvested during the year	(53,720,213)
Plus proceeds from investments sold during the year and management fees	12,266,276
Less net position held in trust, beginning of year	<u>(172,579,762)</u>
Net realized gain and net appreciation in fair value of investments	<u>\$ 13,422,883</u>

The mutual and money market funds in which the Plan invests are comprised of various investment securities, which include corporate debt and equity securities, obligations of the United States government and government agencies, and international equity securities. These securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with these investment securities, it is at least reasonably possible that changes in their fair values may occur in the near term and that such changes could materially affect account owner balances and the amounts reported in the Plan's financial statements.

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, as amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that certain disclosures be made related to the Plan's exposure to credit risk, interest rate risk and foreign currency risk, which are included in the paragraphs that follow.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Plan's investment policy does not specifically address credit risk, as permitted investments are generally mutual funds. At September 30, 2014, approximately 1% of the investments in the plan have an AAA risk rating, 87% have a Baa>AA risk rating and approximately 4% have a B>Ba. Approximately 8% of the investments in the plan are not rated.

CollegeCounts 529 Fund
Notes to the Financial Statements
September 30, 2014

Note 3: Investments - Continued

Interest Rate Risk – Although PIMCO Short-Term Fund, PIMCO Total Return Fund, Vanguard Intermediate-Term Bond Index Fund, Vanguard Total Bond Market Index Fund, Vanguard Prime Money Market Fund, Vanguard Inflation-Protected Securities Fund, Vanguard Short-Term Bond Index Fund, Vanguard Short-Term Inflation-Protected Securities Index Fund and T. Rowe Price Balanced Fund are invested primarily in short and intermediate-term bonds, these Underlying Funds are exposed to interest rate risk, which is the risk that changes in interest rates will adversely affect their fair values. As of September 30, 2014, the average duration and effective maturity of holdings in each of these mutual funds was as follows:

	<u>Average Duration</u>	<u>Average Maturity</u>
PIMCO Short-Term Fund	0.1 years	0.4 years
PIMCO Total Return Fund	5.3 years	7.7 years
Vanguard Intermediate-Term Bond Index Fund	6.5 years	7.2 years
Vanguard Total Bond Market Index Fund	5.5 years	7.5 years
Vanguard Prime Money Market Fund	n/a	0.2 years
Vanguard Inflation-Protected Securities Fund	7.6 years	8.2 years
Vanguard Short-Term Bond Index Fund	2.7 years	2.7 years
Vanguard Short-Term Inflation-Protected Securities Index Fund	2.5 years	2.6 years
T. Rowe Price Balanced Fund	5.4 years	7.2 years

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Since the Underlying Funds represent shares of mutual funds rather than individual securities, they are not subject to classification by custodial credit risk.

Concentration of Credit Risk – The Plan places no limit on the amount that may be invested in any one issuer; however, approximately 96% of the investments are with mutual funds and approximately 4% are invested in money market funds.

Foreign Currency Risk – This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Plan’s exposure to foreign currency risk derives from its investment in Underlying Funds with international holdings. The Plan had no investments denominated in foreign currency at September 30, 2014.

CollegeCounts 529 Fund
Notes to the Financial Statements
September 30, 2014

Note 4: Fees and Expenses

Annual Account Fee

An annual account fee of \$12 is assessed on accounts when neither the account owner nor the designated beneficiary is an Alabama resident. The fees, which are deducted annually from the respective accounts in November, were approximately \$11,000 for the year ended September 30, 2014. The Program Manager remits the annual account fees to the State of Alabama for purposes of the Plan.

Asset-Based Fees

The Portfolios are assessed a program management fee of 0.25%, which is accrued daily and paid to the Program Manager for providing administrative and management services. In its sole discretion, the Program Manager may waive a portion of the program management fees. Asset-based fees related to the year ended September 30, 2014, or the program management fee, totaled \$504,358.

Underlying Fund Expenses

Fees related to the management of each of the Underlying Funds are paid directly to the related fund manager or advisor and reduce the amount of income available for distribution to Portfolios. These expenses are not reflected in the Plan's financial statements. The expense ratio of the Underlying Funds, which are the ratios of the total operating expenses of the Underlying Funds as a percentage of their average daily net position, vary over time and ranged from 0.07% to 0.09% for the Age-Based, 0.07% to 0.08% for the Target Portfolios and 0.04% to 0.65% for the Individual Fund Portfolios for the year ended September 30, 2014.

Note 5: Related Party Investments

A related entity of the State of Alabama has investment accounts in the Plan totaling approximately 4% of fiduciary net position held in trust at September 30, 2014.

Note 6: Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the account owners' account balances and the amounts reported in the statements of net position available for benefits.

CollegeCounts 529 Fund
Notes to the Financial Statements
September 30, 2014

Note 6: Risks and Uncertainties - Continued

The financial statements have been prepared using values and information currently available to the Plan. Given the potential volatility of economic conditions, the values of assets recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values that could negatively impact the Plan.

Note 7: Subsequent Events

Effective October 1, 2014, the Plan liquidated the holdings in the PIMCO Total Return Fund and reinvested those proceeds into the Vanguard Total Bond Market Index Fund. The Vanguard Total Bond Market Index Fund is an existing investment in the CollegeCounts 529 Fund Direct Plan. This change is based on a number of variables including recent departures of key senior investment personnel, uncertainty surrounding the impact of those changes, potential negative fund flows, and performance considerations.

Supplemental Schedules

CollegeCounts 529 Fund
Schedule of Fiduciary Net Position by Portfolio
September 30, 2014

	Portfolio					
	DFA U.S. Large Cap Value 529 Portfolio	DFA U.S. Small Cap Value 529 Portfolio	Dodge & Cox International Stock 529 Portfolio	Fidelity Advisor Investment Grade Bond 529 Portfolio	PIMCO Short-Term 529 Portfolio	PIMCO Total Return 529 Portfolio
Fiduciary Assets						
Investments, at fair value	\$ 51,200	\$ 349,911	\$ 131,654	\$ 140,856	\$ 1,283,231	\$ 5,717,621
Cash	781	2,344	-	3,540	2,038	218,214
Receivables for contributions	-	-	-	28	112	-
Accrued investment income	-	-	-	276	1,033	8,706
Total fiduciary assets	51,981	352,255	131,654	144,700	1,286,414	5,944,541
Liabilities						
Distributions payable to shareholders	-	-	-	-	-	-
Withdrawals payable	-	-	-	-	-	467
Accrued expenses	6	74	26	28	259	1,164
Total liabilities	6	74	26	28	259	1,631
Fiduciary Net Position Held in Trust	\$ 51,975	\$ 352,181	\$ 131,628	\$ 144,672	\$ 1,286,155	\$ 5,942,910
Unit Information						
Units outstanding	5,242	35,923	13,506	14,081	121,733	507,546
Net position value per unit, ending	\$ 9.92	\$ 9.80	\$ 9.75	\$ 10.27	\$ 10.57	\$ 11.71
Net position value per unit, beginning	\$ -	\$ -	\$ -	\$ 9.87	\$ 10.42	\$ 11.36

CollegeCounts 529 Fund
Schedule of Fiduciary Net Position by Portfolio
September 30, 2014

	Portfolio					
	T. Rowe Price Balanced 529 Portfolio	T. Rowe Price Large-Cap Growth 529 Portfolio	Vanguard 500 Index 529 Portfolio	Vanguard Explorer 529 Portfolio	Vanguard Extended Market Index 529 Portfolio	Vanguard Growth Index 529 Portfolio
Fiduciary Assets						
Investments, at fair value	\$ 3,673,354	\$ 8,705	\$ 7,978,097	\$ 17,906	\$ 829,907	\$ 3,321,368
Cash	7,804	-	12,950	-	185	3,554
Receivables for contributions	1,219	-	5,616	-	257	616
Accrued investment income	-	-	-	-	-	-
Total fiduciary assets	3,682,377	8,705	7,996,663	17,906	830,349	3,325,538
Liabilities						
Distributions payable to shareholders	-	-	-	-	-	-
Withdrawals payable	206	-	435	-	-	-
Accrued expenses	754	2	1,627	3	174	679
Total liabilities	960	2	2,062	3	174	679
Fiduciary Net Position Held in Trust	\$ 3,681,417	\$ 8,703	\$ 7,994,601	\$ 17,903	\$ 830,175	\$ 3,324,859
Unit Information						
Units outstanding	239,118	857	423,574	1,797	44,499	170,506
Net position value per unit, ending	\$ 15.40	\$ 10.16	\$ 18.87	\$ 9.96	\$ 18.66	\$ 19.50
Net position value per unit, beginning	\$ 13.93	\$ -	\$ 15.81	\$ -	\$ 17.06	\$ 16.40

CollegeCounts 529 Fund
Schedule of Fiduciary Net Position by Portfolio
September 30, 2014

	Portfolio					
	Vanguard Inflation- Protected Securities 529 Portfolio	Vanguard Intermediate- Term Bond Index 529 Portfolio	Vanguard Mid-Cap Index 529 Portfolio	Vanguard Prime Money Market 529 Portfolio	Vanguard REIT Index 529 Portfolio	Vanguard Small-Cap Growth Index 529 Portfolio
Fiduciary Assets						
Investments, at fair value	\$ 859,099	\$ 714,712	\$ 4,175,304	\$ 4,241,666	\$ 1,870,031	\$ 2,173,967
Cash	66	5,631	3,765	-	6,235	4,550
Receivables for contributions	83	1,620	3,654	5,863	434	2,380
Accrued investment income	-	1,639	-	162	-	-
Total fiduciary assets	<u>859,248</u>	<u>723,602</u>	<u>4,182,723</u>	<u>4,247,691</u>	<u>1,876,700</u>	<u>2,180,897</u>
Liabilities						
Distributions payable to shareholders	-	-	-	19	-	-
Withdrawals payable	-	435	435	5,100	-	-
Accrued expenses	176	145	863	53	395	468
Total liabilities	<u>176</u>	<u>580</u>	<u>1,298</u>	<u>5,172</u>	<u>395</u>	<u>468</u>
Fiduciary Net Position Held in Trust	<u>\$ 859,072</u>	<u>\$ 723,022</u>	<u>\$ 4,181,425</u>	<u>\$ 4,242,519</u>	<u>\$ 1,876,305</u>	<u>\$ 2,180,429</u>
Unit Information						
Units outstanding	74,211	60,747	221,932	4,242,674	119,044	115,215
Net position value per unit, ending	\$ 11.58	\$ 11.90	\$ 18.84	\$ 1.00	\$ 15.76	\$ 18.92
Net position value per unit, beginning	\$ 11.42	\$ 11.43	\$ 16.30	\$ 1.00	\$ 13.96	\$ 17.92

CollegeCounts 529 Fund
Schedule of Fiduciary Net Position by Portfolio
September 30, 2014

	Portfolio					
	Vanguard Small-Cap Index 529 Portfolio	Vanguard Small-Cap Value Index 529 Portfolio	Vanguard Total Bond Market Index 529 Portfolio	Vanguard Total International Stock Index 529 Portfolio	Vanguard Total Stock Market Index 529 Portfolio	Vanguard Value Index 529 Portfolio
Fiduciary Assets						
Investments, at fair value	\$ 1,245,800	\$ 2,232,252	\$ 1,146,873	\$ 4,894,216	\$ 5,069,812	\$ 2,951,176
Cash	1,328	11,199	185	17,077	6,632	7,824
Receivables for contributions	135	303	604	716	517	614
Accrued investment income	-	-	2,378	-	-	-
Total fiduciary assets	1,247,263	2,243,754	1,150,040	4,912,009	5,076,961	2,959,614
Liabilities						
Distributions payable to shareholders	-	-	-	-	-	-
Withdrawals payable	435	228	98	87	127	-
Accrued expenses	262	465	232	1,027	1,050	605
Total liabilities	697	693	330	1,114	1,177	605
Fiduciary Net Position Held in Trust	\$ 1,246,566	\$ 2,243,061	\$ 1,149,710	\$ 4,910,895	\$ 5,075,784	\$ 2,959,009
Unit Information						
Units outstanding	67,070	123,759	101,204	382,950	267,808	161,127
Net position value per unit, ending	\$ 18.59	\$ 18.12	\$ 11.36	\$ 12.82	\$ 18.95	\$ 18.36
Net position value per unit, beginning	\$ 17.02	\$ 16.11	\$ 10.96	\$ 12.26	\$ 16.13	\$ 15.46

CollegeCounts 529 Fund
Schedule of Fiduciary Net Position by Portfolio
September 30, 2014

	Portfolio					
	Vanguard Short-Term Inflation- Protected 529 Portfolio	Vanguard Short-Term Bond Index 529 Portfolio	CollegeCounts Conservative Money Market Fund	CollegeCounts Fixed Income Fund	CollegeCounts Fund 20	CollegeCounts Fund 40
Fiduciary Assets						
Investments, at fair value	\$ 32,391	\$ 456,208	\$ 856,908	\$ 5,695,256	\$ 14,624,667	\$ 27,403,861
Cash	3,536	4,803	-	342,393	165,210	-
Receivables for contributions	-	503	-	300	345	8,127
Accrued investment income	-	472	31	2,626	14,294	26,365
Total fiduciary assets	<u>35,927</u>	<u>461,986</u>	<u>856,939</u>	<u>6,040,575</u>	<u>14,804,516</u>	<u>27,438,353</u>
Liabilities						
Distributions payable to shareholders	-	-	4	-	-	-
Withdrawals payable	-	-	540	-	2,235	860
Accrued expenses	8	94	11	1,075	2,957	11,161
Total liabilities	<u>8</u>	<u>94</u>	<u>555</u>	<u>1,075</u>	<u>5,192</u>	<u>12,021</u>
Fiduciary Net Position Held in Trust	<u>\$ 35,919</u>	<u>\$ 461,892</u>	<u>\$ 856,384</u>	<u>\$ 6,039,500</u>	<u>\$ 14,799,324</u>	<u>\$ 27,426,332</u>
Unit Information						
Units outstanding	3,599	45,788	856,393	572,667	1,209,842	2,033,622
Net position value per unit, ending	\$ 9.98	\$ 10.09	\$ 1.00	\$ 10.55	\$ 12.23	\$ 13.49
Net position value per unit, beginning	\$ 10.00	\$ 10.00	\$ 1.00	\$ 10.50	\$ 11.72	\$ 12.61

CollegeCounts 529 Fund
Schedule of Fiduciary Net Position by Portfolio
September 30, 2014

	Portfolio			
	CollegeCounts Fund 60	CollegeCounts Fund 80	CollegeCounts Fund 100	Plan Total
Fiduciary Assets				
Investments, at fair value	\$ 35,329,814	\$ 44,129,863	\$ 43,848,896	\$ 227,456,582
Cash	152,323	-	-	984,167
Receivables for contributions	5,784	20,536	11,153	71,519
Accrued investment income	22,678	14,015	-	94,675
Total fiduciary assets	<u>35,510,599</u>	<u>44,164,414</u>	<u>43,860,049</u>	<u>228,606,943</u>
Liabilities				
Distributions payable to shareholders	-	-	-	23
Withdrawals payable	-	-	2,000	13,688
Accrued expenses	7,242	75,477	23,628	132,190
Total liabilities	<u>7,242</u>	<u>75,477</u>	<u>25,628</u>	<u>145,901</u>
Fiduciary Net Position Held in Trust	<u>\$ 35,503,357</u>	<u>\$ 44,088,937</u>	<u>\$ 43,834,421</u>	<u>\$ 228,461,042</u>
Unit Information				
Units outstanding	2,446,058	2,825,346	2,627,810	
Net position value per unit, ending	\$ 14.51	\$ 15.60	\$ 16.68	
Net position value per unit, beginning	\$ 13.36	\$ 14.11	\$ 14.82	

CollegeCounts 529 Fund

Schedule of Changes in Fiduciary Net Position and Financial Highlights by Portfolio

For the Year Ended September 30, 2014

	Portfolio					
	DFA U.S. Large Cap Value 529 Portfolio	DFA U.S. Small Cap Value 529 Portfolio	Dodge & Cox International Stock 529 Portfolio	Fidelity Advisor Investment Grade Bond 529 Portfolio	PIMCO Short-Term 529 Portfolio	PIMCO Total Return 529 Portfolio
Additions						
Contributions	\$ 9,179	\$ 8,507	\$ 12,410	\$ 34,312	\$ 197,298	\$ 1,153,217
Exchanges in	43,147	350,892	121,012	82,691	86,509	39,240
Investment Income						
Dividends and interest	88	608	-	1,526	13,091	147,943
Total additions	<u>52,414</u>	<u>360,007</u>	<u>133,422</u>	<u>118,529</u>	<u>296,898</u>	<u>1,340,400</u>
Deductions						
Withdrawals	-	-	-	413	87,510	158,886
Exchanges out	-	-	-	764	86,394	245,941
Management fees	9	141	43	155	3,049	13,410
Total deductions	<u>9</u>	<u>141</u>	<u>43</u>	<u>1,332</u>	<u>176,953</u>	<u>418,237</u>
Net Realized Gain and Net Appreciation in Fair Value	<u>(430)</u>	<u>(7,685)</u>	<u>(1,751)</u>	<u>279</u>	<u>7,420</u>	<u>23,605</u>
Net Increase (Decrease)	51,975	352,181	131,628	117,476	127,365	945,768
Fiduciary net position, beginning of year	-	-	-	27,196	1,158,790	4,997,142
Fiduciary net position, end of year	<u>\$ 51,975</u>	<u>\$ 352,181</u>	<u>\$ 131,628</u>	<u>\$ 144,672</u>	<u>\$ 1,286,155</u>	<u>\$ 5,942,910</u>
Financial Highlights For the Year						
Ratio of net investment income to average net position*	1.39%	0.52%	-0.24%	2.20%	0.82%	2.51%
Ratio of expense to average net position **	0.24%	0.24%	0.24%	0.25%	0.25%	0.25%
Total return ***	-0.80%	-2.00%	-2.50%	4.05%	1.44%	3.08%

* This ratio represents investment income recognized by the Plan from the underlying investments, less expenses, divided by the average net position.

** This ratio represents the Plan's expenses divided by average net position.

*** Total return is calculated for account owners taken as a whole. An individual account owner's return may vary based on the timing of investment transactions.

CollegeCounts 529 Fund
Schedule of Changes in Fiduciary Net Position and Financial Highlights by Portfolio
For the Year Ended September 30, 2014

	Portfolio					
	T. Rowe Price Balanced 529 Portfolio	T. Rowe Price Large-Cap Growth 529 Portfolio	Vanguard 500 Index 529 Portfolio	Vanguard Explorer 529 Portfolio	Vanguard Extended Market Index 529 Portfolio	Vanguard Growth Index 529 Portfolio
Additions						
Contributions	\$ 747,983	\$ 6,693	\$ 1,445,172	\$ 7,740	\$ 312,836	\$ 733,818
Exchanges in	193,505	2,025	310,109	10,330	152,115	122,671
Investment Income						
Dividends and interest	187,997	-	141,823	-	8,552	37,175
Total additions	<u>1,129,485</u>	<u>8,718</u>	<u>1,897,104</u>	<u>18,070</u>	<u>473,503</u>	<u>893,664</u>
Deductions						
Withdrawals	205,644	-	273,348	-	33,517	138,322
Exchanges out	112,511	-	418,656	-	283,846	139,478
Management fees	8,533	3	17,733	4	2,110	7,257
Total deductions	<u>326,688</u>	<u>3</u>	<u>709,737</u>	<u>4</u>	<u>319,473</u>	<u>285,057</u>
Net Realized Gain and Net Appreciation in Fair Value	<u>137,487</u>	<u>(12)</u>	<u>1,072,635</u>	<u>(163)</u>	<u>61,548</u>	<u>448,388</u>
Net Increase (Decrease)	940,284	8,703	2,260,002	17,903	215,578	1,056,995
Fiduciary net position, beginning of year	<u>2,741,133</u>	<u>-</u>	<u>5,734,599</u>	<u>-</u>	<u>614,597</u>	<u>2,267,864</u>
Fiduciary net position, end of year	<u>\$ 3,681,417</u>	<u>\$ 8,703</u>	<u>\$ 7,994,601</u>	<u>\$ 17,903</u>	<u>\$ 830,175</u>	<u>\$ 3,324,859</u>
Financial Highlights For the Year						
Ratio of net investment income to average net position*	5.25%	-0.29%	1.75%	-0.22%	0.76%	1.03%
Ratio of expense to average net position **	0.25%	0.29%	0.25%	0.22%	0.25%	0.25%
Total return ***	10.55%	1.60%	19.35%	-0.40%	9.38%	18.90%

* This ratio represents investment income recognized by the Plan from the underlying investments, less expenses, divided by the average net position.

** This ratio represents the Plan's expenses divided by average net position.

*** Total return is calculated for account owners taken as a whole. An individual account owner's return may vary based on the timing of investment transactions.

CollegeCounts 529 Fund

Schedule of Changes in Fiduciary Net Position and Financial Highlights by Portfolio For the Year Ended September 30, 2014

	Portfolio					
	Vanguard Inflation- Protected Securities 529 Portfolio	Vanguard Intermediate- Term Bond Index 529 Portfolio	Vanguard Mid-Cap Index 529 Portfolio	Vanguard Prime Money Market 529 Portfolio	Vanguard REIT Index 529 Portfolio	Vanguard Small-Cap Growth Index 529 Portfolio
Additions						
Contributions	\$ 163,563	\$ 217,167	\$ 811,759	\$ 1,181,716	\$ 469,159	\$ 607,244
Exchanges in	30,226	113,885	202,926	738,534	265,054	252,486
Investment Income						
Dividends and interest	15,532	23,731	41,926	2,152	61,414	12,089
Total additions	209,321	354,783	1,056,611	1,922,402	795,627	871,819
Deductions						
Withdrawals	63,257	91,255	200,760	776,380	61,974	85,690
Exchanges out	178,687	237,980	329,898	215,263	111,346	260,668
Management fees	2,125	1,623	9,479	780	3,821	5,310
Total deductions	244,069	330,858	540,137	992,423	177,141	351,668
Net Realized Gain and Net Appreciation in Fair Value	(4,907)	1,822	488,759	-	106,124	77,566
Net Increase (Decrease)	(39,655)	25,747	1,005,233	929,979	724,610	597,717
Fiduciary net position, beginning of year	898,727	697,275	3,176,192	3,312,540	1,151,695	1,582,712
Fiduciary net position, end of year	\$ 859,072	\$ 723,022	\$ 4,181,425	\$ 4,242,519	\$ 1,876,305	\$ 2,180,429
Financial Highlights For the Year						
Ratio of net investment income to average net position*	1.58%	3.40%	0.86%	0.04%	3.76%	0.32%
Ratio of expense to average net position **	0.25%	0.25%	0.25%	0.02%	0.25%	0.25%
Total return ***	1.40%	4.11%	15.58%	0.03%	12.89%	5.58%

* This ratio represents investment income recognized by the Plan from the underlying investments, less expenses, divided by the average net position.

** This ratio represents the Plan's expenses divided by average net position.

*** Total return is calculated for account owners taken as a whole. An individual account owner's return may vary based on the timing of investment transactions.

CollegeCounts 529 Fund

Schedule of Changes in Fiduciary Net Position and Financial Highlights by Portfolio

For the Year Ended September 30, 2014

	Portfolio					
	Vanguard Small-Cap Index 529 Portfolio	Vanguard Small-Cap Value Index 529 Portfolio	Vanguard Total Bond Market Index 529 Portfolio	Vanguard Total International Stock Index 529 Portfolio	Vanguard Total Stock Market Index 529 Portfolio	Vanguard Value Index 529 Portfolio
Additions						
Contributions	\$ 419,573	\$ 352,657	\$ 205,189	\$ 1,042,889	\$ 1,221,073	\$ 586,616
Exchanges in	84,586	144,765	187,171	269,645	376,819	221,212
Investment Income						
Dividends and interest	12,889	43,971	28,002	153,073	85,246	62,079
Total additions	<u>517,048</u>	<u>541,393</u>	<u>420,362</u>	<u>1,465,607</u>	<u>1,683,138</u>	<u>869,907</u>
Deductions						
Withdrawals	26,335	97,336	59,457	149,482	251,246	117,126
Exchanges out	113,530	541,791	132,896	296,002	402,407	157,027
Management fees	2,720	6,012	2,588	11,557	11,382	6,416
Total deductions	<u>142,585</u>	<u>645,139</u>	<u>194,941</u>	<u>457,041</u>	<u>665,035</u>	<u>280,569</u>
Net Realized Gain and Net Appreciation in Fair Value	<u>66,015</u>	<u>232,197</u>	<u>12,063</u>	<u>37,849</u>	<u>606,126</u>	<u>357,890</u>
Net Increase (Decrease)	440,478	128,451	237,484	1,046,415	1,624,229	947,228
Fiduciary net position, beginning of year	<u>806,088</u>	<u>2,114,610</u>	<u>912,226</u>	<u>3,864,480</u>	<u>3,451,555</u>	<u>2,011,781</u>
Fiduciary net position, end of year	<u>\$ 1,246,566</u>	<u>\$ 2,243,061</u>	<u>\$ 1,149,710</u>	<u>\$ 4,910,895</u>	<u>\$ 5,075,784</u>	<u>\$ 2,959,009</u>
Financial Highlights For the Year						
Ratio of net investment income to average net position*	0.93%	1.58%	2.45%	3.06%	1.62%	2.17%
Ratio of expense to average net position **	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Total return ***	9.22%	12.48%	3.65%	4.57%	17.48%	18.76%

* This ratio represents investment income recognized by the Plan from the underlying investments, less expenses, divided by the average net position.

** This ratio represents the Plan's expenses divided by average net position.

*** Total return is calculated for account owners taken as a whole. An individual account owner's return may vary based on the timing of investment transactions.

CollegeCounts 529 Fund

Schedule of Changes in Fiduciary Net Position and Financial Highlights by Portfolio

For the Year Ended September 30, 2014

	Portfolio					
	Vanguard Short-Term Inflation- Protected 529 Portfolio	Vanguard Short-Term Bond Index 529 Portfolio	CollegeCounts Conservative Money Market Fund	CollegeCounts Fixed Income Fund	CollegeCounts Fund 20	CollegeCounts Fund 40
Additions						
Contributions	\$ 24,346	\$ 176,430	\$ 100,583	\$ 2,060,575	\$ 2,871,648	\$ 4,475,460
Exchanges in	24,389	312,905	498,711	1,948,529	5,001,900	7,191,911
Investment Income						
Dividends and interest	13	4,255	439	33,868	225,864	542,863
Total additions	48,748	493,590	599,733	4,042,972	8,099,412	12,210,234
Deductions						
Withdrawals	21,907	32,526	430,684	1,807,359	2,315,599	1,645,176
Exchanges out	754	14,327	56,290	874,795	1,913,182	4,960,359
Management fees	70	763	159	12,453	32,579	61,688
Total deductions	22,731	47,616	487,133	2,694,607	4,261,360	6,667,223
Net Realized Gain and Net Appreciation in Fair Value	(98)	(1,654)	-	(1,251)	339,459	1,088,466
Net Increase (Decrease)	25,919	444,320	112,600	1,347,114	4,177,511	6,631,477
Fiduciary net position, beginning of year	10,000	17,572	743,784	4,692,386	10,621,813	20,794,855
Fiduciary net position, end of year	\$ 35,919	\$ 461,892	\$ 856,384	\$ 6,039,500	\$ 14,799,324	\$ 27,426,332
Financial Highlights For the Year						
Ratio of net investment income to average net position*	-0.20%	1.14%	0.04%	0.43%	1.48%	1.95%
Ratio of expense to average net position **	0.25%	0.25%	0.02%	0.25%	0.25%	0.25%
Total return ***	-0.20%	0.90%	0.03%	0.48%	4.35%	6.98%

* This ratio represents investment income recognized by the Plan from the underlying investments, less expenses, divided by the average net position.

** This ratio represents the Plan's expenses divided by average net position.

*** Total return is calculated for account owners taken as a whole. An individual account owner's return may vary based on the timing of investment transactions.

CollegeCounts 529 Fund
Schedule of Changes in Fiduciary Net Position and Financial Highlights by Portfolio
For the Year Ended September 30, 2014

	Portfolio				
	CollegeCounts Fund 60	CollegeCounts Fund 80	CollegeCounts Fund 100	Eliminations	Plan Total
Additions					
Contributions	\$ 7,122,190	\$ 11,499,303	\$ 9,980,564	\$ -	\$ 50,258,869
Exchanges in	7,735,361	5,090,274	1,092,731	(33,298,266)	-
Investment Income					
Dividends and interest	738,208	972,260	1,013,028	-	4,611,705
Total additions	15,595,759	17,561,837	12,086,323	(33,298,266)	54,870,574
Deductions					
Withdrawals	864,848	1,165,640	746,142	-	11,907,819
Exchanges out	8,441,579	7,852,167	4,919,728	(33,298,266)	-
Management fees	79,525	100,613	100,248	-	504,358
Total deductions	9,385,952	9,118,420	5,766,118	(33,298,266)	12,412,177
Net Realized Gain and Net Appreciation in Fair Value	1,840,994	2,916,740	3,517,402	-	13,422,883
Net Increase (Decrease)	8,050,801	11,360,157	9,837,607	-	55,881,280
Fiduciary net position, beginning of year	27,452,556	32,728,780	33,996,814	-	172,579,762
Fiduciary net position, end of year	\$ 35,503,357	\$ 44,088,937	\$ 43,834,421	\$ -	\$ 228,461,042
Financial Highlights For the Year					
Ratio of net investment income to average net position*	2.07%	2.16%	2.27%		
Ratio of expense to average net position **	0.25%	0.25%	0.25%		
Total return ***	8.61%	10.56%	12.55%		

* This ratio represents investment income recognized by the Plan from the underlying investments, less expenses, divided by the average net position.

** This ratio represents the Plan's expenses divided by average net position.

*** Total return is calculated for account owners taken as a whole. An individual account owner's return may vary based on the timing of investment transactions.

CollegeCounts 529 Fund
Schedule of Investments (Age-Based Target Portfolios)
September 30, 2014

Target Portfolios	Age of Beneficiary	Portfolio						
		CollegeCounts Conservative Money Market Fund	CollegeCounts Fixed Income Fund	CollegeCounts Fund 20	CollegeCounts Fund 40	CollegeCounts Fund 60	CollegeCounts Fund 80	CollegeCounts Fund 100
Age-Based Aggressive Portfolios				21 and over	17 - 20	13 - 16	9 - 12	newborn to 8
Age-Based Moderate Portfolios			21 and over	17 - 20	13 - 16	9 - 12	newborn to 8	
Age-Based Conservative Portfolios		21 and over	17 - 20	13 - 16	9 - 12	newborn to 8		
Vanguard Prime Money Market Fund		\$ 856,908	\$ 3,019,282	\$ 1,480,757	\$ -	\$ -	\$ -	\$ -
Money Market Total		<u>856,908</u>	<u>3,019,282</u>	<u>1,480,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Vanguard Short-Term Bond Index		-	1,605,742	3,512,591	2,757,582	1,781,438	-	-
Vanguard Total Bond Market Index Fund		-	428,196	5,122,030	11,329,538	9,977,754	6,705,938	-
Vanguard Inflation-Protected Securities Fund		-	642,036	1,609,894	2,479,548	2,489,837	2,230,131	-
Fixed Income Total		<u>-</u>	<u>2,675,974</u>	<u>10,244,515</u>	<u>16,566,668</u>	<u>14,249,029</u>	<u>8,936,069</u>	<u>-</u>
Vanguard REIT Index Fund		-	-	-	407,750	1,057,570	2,210,834	3,074,840
Real Estate Total		<u>-</u>	<u>-</u>	<u>-</u>	<u>407,750</u>	<u>1,057,570</u>	<u>2,210,834</u>	<u>3,074,840</u>
Vanguard Total Stock Market Index Fund		-	-	2,326,993	7,486,231	12,703,802	20,735,403	25,572,026
Domestic Equity Total		<u>-</u>	<u>-</u>	<u>2,326,993</u>	<u>7,486,231</u>	<u>12,703,802</u>	<u>20,735,403</u>	<u>25,572,026</u>
Vanguard Total International Stock Index Fund		-	-	572,402	2,943,212	7,319,413	12,247,557	15,202,030
International Equity Total		<u>-</u>	<u>-</u>	<u>572,402</u>	<u>2,943,212</u>	<u>7,319,413</u>	<u>12,247,557</u>	<u>15,202,030</u>
Fair Value of Investments, End of Year		<u>\$ 856,908</u>	<u>\$ 5,695,256</u>	<u>\$ 14,624,667</u>	<u>\$ 27,403,861</u>	<u>\$ 35,329,814</u>	<u>\$ 44,129,863</u>	<u>\$ 43,848,896</u>
Fair Value of Investments, End of Year Plus Cash and Accrued Investment Income		\$ 856,908	\$ 5,695,256	\$ 14,624,667	\$ 27,403,861	\$ 35,329,814	\$ 44,129,863	\$ 43,848,896
Less Payables and Accrued Expenses		31	345,319	179,849	34,492	180,785	34,551	11,153
		(555)	(1,075)	(5,192)	(12,021)	(7,242)	(75,477)	(25,628)
Fiduciary Net Position Held in Trust, End of Year		<u>\$ 856,384</u>	<u>\$ 6,039,500</u>	<u>\$ 14,799,324</u>	<u>\$ 27,426,332</u>	<u>\$ 35,503,357</u>	<u>\$ 44,088,937</u>	<u>\$ 43,834,421</u>

CollegeCounts 529 Fund
Combining Schedule of Fiduciary Net Position
September 30, 2014

	CollegeCounts 529 Fund	CollegeCounts 529 Fund Advisor Plan	Eliminations	Combined Totals
Fiduciary Assets				
Investments, at fair value	\$ 227,456,582	\$ 979,380,954	\$ -	\$ 1,206,837,536
Cash	984,167	572,552	-	1,556,719
Receivables for contributions	71,519	513,254	-	584,773
Accrued investment income	94,675	461,840	-	556,515
	<u>228,606,943</u>	<u>980,928,600</u>	<u>-</u>	<u>1,209,535,543</u>
Liabilities				
Distributions payable to shareholders	23	96	-	119
Withdrawals payable	13,688	510,962	-	524,650
Accrued expenses	132,190	1,564,832	-	1,697,022
	<u>145,901</u>	<u>2,075,890</u>	<u>-</u>	<u>2,221,791</u>
Fiduciary Net Position Held in Trust	<u><u>\$ 228,461,042</u></u>	<u><u>\$ 978,852,710</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,207,313,752</u></u>

CollegeCounts 529 Fund
Combining Schedule of Changes in Fiduciary Net Position
For the Year Ended September 30, 2014

	CollegeCounts 529 Fund	CollegeCounts 529 Fund Advisor Plan	Eliminations	Combined Totals
Additions				
Contributions	\$ 50,258,869	\$ 122,379,027	\$ (23,448,698)	\$ 149,189,198
Investment income				
Dividends and interest	4,611,705	32,516,496	-	37,128,201
Total additions	<u>54,870,574</u>	<u>154,895,523</u>	<u>(23,448,698)</u>	<u>186,317,399</u>
Deductions				
Withdrawals	11,907,819	99,372,085	(23,448,698)	87,831,206
Management fees	504,358	7,536,589	-	8,040,947
Total deductions	<u>12,412,177</u>	<u>106,908,674</u>	<u>(23,448,698)</u>	<u>95,872,153</u>
Net Realized Gain and Net Appreciation in Fair Value of Investments	<u>13,422,883</u>	<u>41,339,179</u>	<u>-</u>	<u>54,762,062</u>
Net Increase	55,881,280	89,326,028	-	145,207,308
Fiduciary Net Position Held in Trust, Beginning of Year	<u>172,579,762</u>	<u>889,526,682</u>	<u>-</u>	<u>1,062,106,444</u>
Fiduciary Net Position Held in Trust, End of Year	<u>\$ 228,461,042</u>	<u>\$ 978,852,710</u>	<u>\$ -</u>	<u>\$ 1,207,313,752</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 Board of Trustees of CollegeCounts 529 Fund
UBT 529 Fund Services, a Division of Union Bank & Trust Company (Program Manager)
Montgomery, Alabama

We have audited, 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 financial statements of the CollegeCounts 529 Fund (the Plan), which comprise the statement of fiduciary net position as of September 30, 2014, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2014.

Internal Control Over Financial Reporting

Management of the Plan is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Plan's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's 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 Plan's 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 Plan's 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 communication 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 entity's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Lincoln, Nebraska
December 11, 2014

Independent Accountant's Report

Members of the Board of Trustees of CollegeCounts 529 Fund
UBT 529 Fund Services, a Division of Union Bank & Trust Company (Program Manager)
Montgomery, Alabama

We have examined CollegeCounts 529 Fund's (the Plan) compliance with the Program Management Fee as defined in section 8(a) of the Program Management Agreement dated July 1, 2010, during the year ended September 30, 2014. Management is responsible for the Plan's compliance with those the provisions of the agreement. Our responsibility is to express an opinion on the Plan's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the compliance of the Plan with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Plan's compliance with specified requirements.

In our opinion, the Plan complied, in all material respects, with the aforementioned provisions for the year ended September 30, 2014.

This report is intended solely for the information and use of the Board of Trustees of the Alabama College Education Savings Trust Fund and the Program Manager of the Plan and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Lincoln, Nebraska
December 11, 2014