

# CollegeCounts<sup>SM</sup>

Alabama's 529 Fund

Auditor's Report and Financial Statements

**September 30, 2016**



Offered by the  
State of Alabama

UBT 529 Fund Services a Division of

**UBT**  
Union Bank & Trust

*Program Manager*

**CollegeCounts 529 Fund**  
**September 30, 2016**

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## 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 basic financial statements of the CollegeCounts 529 Fund, which are comprised of a statement of fiduciary net position as of September 30, 2016, and a statement of changes in fiduciary net position and the related notes to the basic financial statements for the year ended September 30, 2016, 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, 2016, 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.

## ***Other Matters***

### ***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 an opinion on the basic 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 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 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 January 24, 2017 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  
January 24, 2017

## **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, 2016, and for the 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 \$326.9 million in net position as of September 30, 2016. 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, MainStay, Fidelity and PIMCO.

### **Financial Highlights**

The following financial highlights occurred during the years ended September 30, 2016 and 2015:

- The Plan had contributions of \$60.3 million and withdrawals of \$21.9 million during 2016 and contributions of \$54.4 million and withdrawals of \$17.7 million during 2015, an increase of 10.8% in contributions and 24.2% in withdrawals during 2016;
- At September 30, 2016, the Plan's net position totaled \$326.9 million, an increase of \$67.0 million, or 25.8% since September 30, 2015;
- The Plan earned \$6.6 million and \$5.8 million from investment income and recognized \$22.9 million and (\$10.5) million from net realized gain (loss) and net appreciation (depreciation) in fair value of investments during 2016 and 2015, respectively. The Plan incurred \$0.7 million and \$0.6 million, respectively, for operating expenses during 2016 and 2015.

### **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, 2016. 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, 2016, 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, 2016, 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>2016</u>           | <u>2015</u>           |
|----------------------------|-----------------------|-----------------------|
| Total Assets               | \$ 327,288,019        | \$ 260,392,346        |
| Less Total Liabilities     | <u>339,609</u>        | <u>515,846</u>        |
| Net Position Held In Trust | <u>\$ 326,948,410</u> | <u>\$ 259,876,500</u> |

Investments make up more than 99% of total net position, and consist of 37 Investment Portfolios in 2016 (33 Investment Portfolios in 2015), 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 \$66.9 million, or 25.7%, from September 30, 2015 to September 30, 2016 due primarily to net contributions (participant contributions less redemptions and withdrawals) of \$38.4 million. The Plan had an increase from operations (investment income and net realized gain and appreciation in fair value of investments) of \$29.4 million and expenses of \$0.7 million. Total liabilities decreased \$0.2 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 years ended September 30:

|  | <u>2016</u>           | <u>2015</u>           |
|--|-----------------------|-----------------------|
| Total Additions  | \$ 66,874,110         | \$ 60,223,484         |
| Total Deductions   | 22,670,014            | 18,297,689            |
| Net Realized Gain (Loss) and Net Appreciation<br>(Depreciation) in Fair Value of Investments | <u>22,867,814</u>     | <u>(10,510,337)</u>   |
| Net Increase   | 67,071,910            | 31,415,458            |
| Net Position Held in Trust, Beginning of Year  | <u>259,876,500</u>    | <u>228,461,042</u>    |
| Net Position Held in Trust, End of Year  | <u>\$ 326,948,410</u> | <u>\$ 259,876,500</u> |

Total additions increased \$6.7 million or 11.0%, due to an increase in contributions from participants of \$5.9 million and an increase in investment income of \$0.8 million. Total deductions increased \$4.4 million or 23.9%, due to an increase in withdrawals and redemptions of \$4.3 million and an increase in fees of \$0.1 million. Net realized gains (losses) and appreciation (depreciation) in fair value of investments were \$22.9 million and (\$10.5) million for the years ended September 30, 2016 and 2015, 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, 2016**

**Fiduciary Assets**

|                               |                    |
|-------------------------------|--------------------|
| Investments, at fair value    | \$ 326,228,088     |
| Cash                          | 590,884            |
| Receivables for contributions | 326,141            |
| Accrued investment income     | <u>142,906</u>     |
| Total fiduciary assets        | <u>327,288,019</u> |

**Liabilities**

|                                       |                |
|---------------------------------------|----------------|
| Distributions payable to shareholders | 775            |
| Withdrawals payable                   | 234,486        |
| Accrued expenses                      | <u>104,348</u> |
| Total liabilities                     | <u>339,609</u> |

|   |                              |
|---|------------------------------|
| <b>Fiduciary Net Position Held In Trust</b> | <u><u>\$ 326,948,410</u></u> |
|---|------------------------------|



**CollegeCounts 529 Fund**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended September 30, 2016**

**Additions**

|                        |  |                   |
|------------------------|--|-------------------|
| Contributions          |  | \$ 60,307,013     |
| Investment income      |  |                   |
| Dividends and interest |  | <u>6,567,117</u>  |
| Total additions        |  | <u>66,874,130</u> |

**Deductions**

|                  |  |                   |
|------------------|--|-------------------|
| Withdrawals      |  | 21,939,663        |
| Management fees  |  | <u>730,351</u>    |
| Total deductions |  | <u>22,670,014</u> |

|  |                   |
|--|-------------------|
| <b>Net Realized Gain and Net Appreciation in Fair Value of Investments</b> | <u>22,867,794</u> |
|--|-------------------|

|                     |            |
|---------------------|------------|
| <b>Net Increase</b> | 67,071,910 |
|---------------------|------------|

|  |                    |
|--|--------------------|
| <b>Fiduciary Net Position Held in Trust, Beginning of Year</b> | <u>259,876,500</u> |
|--|--------------------|

|  |                              |
|--|------------------------------|
| <b>Fiduciary Net Position Held in Trust, End of Year</b> | <u><u>\$ 326,948,410</u></u> |
|--|------------------------------|

# **CollegeCounts 529 Fund**

## **Notes to the Financial Statements**

### **September 30, 2016**

#### **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 [CollegeCounts529.com](http://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, 2016**

**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, 2016**

**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 one money-market fund and mutual funds offered by PIMCO, Vanguard, T. Rowe Price, DFA, Dodge & Cox, MainStay and Fidelity ("Investment Managers").

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 (Conservative, Moderate, and Aggressive). 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 the appropriate Portfolio based on the age of the beneficiary 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.

Effective September 28, 2016, the number of age bands in the Age-Based options increased from five to nine. The additional age bands will further smooth the glide path the account beneficiary travels from the time the account is established through college. In addition, the underlying asset allocations of both the Age-Based and Target Portfolios were updated. These changes did not affect the high-level asset allocation of these Portfolios, but modified the allocation to specific underlying investment funds to enhance Portfolio diversification.

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, 2016**

**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 withdrawals, if any. Withdrawals are recorded as deductions from net position on the date the withdrawal request is 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 two times 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, 2016**

**Note 3: Investments**

The Underlying Fund allocations at September 30, 2016, are as follows:

| Portfolio  | Investment  | Balance    |
|--|---|------------|
| DFA U.S. Large Cap Value 529 Portfolio                 | DFA U.S. Large Cap Value Portfolio                            | \$ 430,303 |
| DFA U.S. Small Cap Value 529 Portfolio                 | DFA U.S. Small Cap Value Portfolio                            | 456,637    |
| Dodge & Cox International Stock 529 Portfolio          | Dodge & Cox International Stock Fund                          | 829,656    |
| Fidelity Advisor Investment Grade Bond 529 Portfolio   | Fidelity Advisor Investment Grade Bond Fund                   | 144,303    |
| MainStay Total Return Bond 529 Portfolio               | MainStay Total Return Bond Fund                               | 85,201     |
| PIMCO Short-Term 529 Portfolio                         | PIMCO Short-Term Fund   | 1,146,098  |
| T. Rowe Price Balanced 529 Portfolio                   | T. Rowe Price Balanced Fund                                   | 3,910,903  |
| T. Rowe Price Large-Cap Growth 529 Portfolio           | T. Rowe Price Institutional Large-Cap Growth Fund             | 1,516,244  |
| Vanguard 500 Index 529 Portfolio                       | Vanguard Institutional Index Fund                             | 12,973,189 |
| Vanguard Explorer 529 Portfolio                        | Vanguard Explorer Fund  | 221,582    |
| Vanguard Extended Market Index 529 Portfolio           | Vanguard Extended Market Index Fund                           | 1,092,363  |
| Vanguard Growth Index 529 Portfolio                    | Vanguard Growth Index Fund                                    | 5,601,491  |
| Vanguard Inflation-Protected Securities 529 Portfolio  | Vanguard Inflation-Protected Securities Fund                  | 1,141,842  |
| Vanguard Intermediate-Term Bond Index 529 Portfolio    | Vanguard Intermediate-Term Bond Index Fund                    | 1,296,816  |
| Vanguard Mid-Cap Index 529 Portfolio                   | Vanguard Mid-Cap Index Fund                                   | 5,581,301  |
| Vanguard Prime Money Market 529 Portfolio              | Vanguard Prime Money Market Fund                              | 8,343,058  |
| Vanguard REIT Index 529 Portfolio                      | Vanguard REIT Index Fund                                      | 3,766,825  |
| Vanguard Small-Cap Growth Index 529 Portfolio          | Vanguard Small-Cap Growth Index Fund                          | 3,167,929  |
| Vanguard Small-Cap Index 529 Portfolio                 | Vanguard Small-Cap Index Fund                                 | 1,940,620  |
| Vanguard Small-Cap Value Index 529 Portfolio           | Vanguard Small-Cap Value Index Fund                           | 2,640,526  |
| Vanguard Total Bond Market Index 529 Portfolio         | Vanguard Total Bond Market Index Fund                         | 8,450,543  |
| Vanguard Total International Stock Index 529 Portfolio | Vanguard Total International Stock Index Fund                 | 5,474,054  |
| Vanguard Total Stock Market Index 529 Portfolio        | Vanguard Total Stock Market Index Fund                        | 8,324,308  |
| Vanguard Value Index 529 Portfolio                     | Vanguard Value Index Fund                                     | 3,420,807  |
| Vanguard Short-Term Inflation-Protected 529 Portfolio  | Vanguard Short-Term Inflation-Protected Securities Index Fund | 250,083    |
| Vanguard Short-Term Bond Index 529 Portfolio           | Vanguard Short-Term Bond Index Fund                           | 1,230,917  |
| CollegeCounts Fixed Income Fund                        | Vanguard Short-Term Inflation-Protected Securities Index Fund | 610,777    |
| CollegeCounts Fixed Income Fund                        | Vanguard Short-Term Bond Index Fund                           | 813,713    |
| CollegeCounts Fixed Income Fund                        | Vanguard Total Bond Market Index Fund                         | 609,184    |
| CollegeCounts Fixed Income Fund                        | Vanguard Prime Money Market Fund                              | 2,034,282  |
| Total CollegeCounts Fixed Income Fund                  |   | 4,067,956  |
| CollegeCounts Fund 10                                  | Vanguard Total Stock Market Index Fund                        | 757,465    |
| CollegeCounts Fund 10                                  | Vanguard Short-Term Inflation-Protected Securities Index Fund | 1,518,677  |
| CollegeCounts Fund 10                                  | Vanguard Short-Term Bond Index Fund                           | 2,384,577  |
| CollegeCounts Fund 10                                  | Vanguard Total Bond Market Index Fund                         | 3,354,025  |
| CollegeCounts Fund 10                                  | Vanguard Total International Stock Index Fund                 | 215,398    |
| CollegeCounts Fund 10                                  | Vanguard Prime Money Market Fund                              | 2,492,967  |
| CollegeCounts Fund 10                                  | Vanguard REIT Index Fund                                      | 106,214    |
| Total CollegeCounts Fund 10                            |   | 10,829,323 |

**CollegeCounts 529 Fund**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Note 3: Investments - Continued**

| Portfolio                   | Investment  | Balance           |
|-----------------------------|---|-------------------|
| CollegeCounts Fund 20       | Vanguard Total Stock Market Index Fund                            | \$ 2,493,858      |
| CollegeCounts Fund 20       | Vanguard Short-Term Inflation-<br>Protected Securities Index Fund | 4,804,228         |
| CollegeCounts Fund 20       | Vanguard Short-Term Bond Index Fund                               | 6,713,780         |
| CollegeCounts Fund 20       | Vanguard Total Bond Market Index Fund                             | 2,115,560         |
| CollegeCounts Fund 20       | Vanguard Total International Stock Index Fund                     | 763,718           |
| CollegeCounts Fund 20       | Vanguard Prime Money Market Fund                                  | 1,729,522         |
| CollegeCounts Fund 20       | Vanguard REIT Index Fund  | 564,942           |
| Total CollegeCounts Fund 20 |   | <u>19,185,608</u> |
| CollegeCounts Fund 30       | Vanguard Total Stock Market Index Fund                            | 4,345,180         |
| CollegeCounts Fund 30       | Vanguard Short-Term Inflation-<br>Protected Securities Index Fund | 2,980,297         |
| CollegeCounts Fund 30       | Vanguard Short-Term Bond Index Fund                               | 5,039,539         |
| CollegeCounts Fund 30       | Vanguard Total Bond Market Index Fund                             | 8,002,970         |
| CollegeCounts Fund 30       | Vanguard Total International Stock Index Fund                     | 1,820,925         |
| CollegeCounts Fund 30       | Vanguard REIT Index Fund  | 673,434           |
| Total CollegeCounts Fund 30 |   | <u>22,862,345</u> |
| CollegeCounts Fund 40       | Vanguard Total Stock Market Index Fund                            | 6,572,030         |
| CollegeCounts Fund 40       | Vanguard Short-Term Inflation-<br>Protected Securities Index Fund | 3,686,724         |
| CollegeCounts Fund 40       | Vanguard Short-Term Bond Index Fund                               | 9,725,886         |
| CollegeCounts Fund 40       | Vanguard Total Bond Market Index Fund                             | 2,371,940         |
| CollegeCounts Fund 40       | Vanguard Total International Stock Index Fund                     | 3,139,670         |
| CollegeCounts Fund 40       | Vanguard REIT Index Fund  | 774,116           |
| Total CollegeCounts Fund 40 |   | <u>26,270,366</u> |
| CollegeCounts Fund 50       | Vanguard Total Stock Market Index Fund                            | 7,723,851         |
| CollegeCounts Fund 50       | Vanguard Short-Term Inflation-<br>Protected Securities Index Fund | 967,834           |
| CollegeCounts Fund 50       | Vanguard Short-Term Bond Index Fund                               | 2,659,414         |
| CollegeCounts Fund 50       | Vanguard Total Bond Market Index Fund                             | 8,446,483         |
| CollegeCounts Fund 50       | Vanguard Total International Stock Index Fund                     | 3,603,490         |
| CollegeCounts Fund 50       | Vanguard REIT Index Fund  | 710,766           |
| Total CollegeCounts Fund 50 |   | <u>24,111,838</u> |
| CollegeCounts Fund 60       | Vanguard Total Stock Market Index Fund                            | 10,881,409        |
| CollegeCounts Fund 60       | Vanguard Short-Term Inflation-<br>Protected Securities Index Fund | 2,725,030         |
| CollegeCounts Fund 60       | Vanguard Short-Term Bond Index Fund                               | 8,160,306         |
| CollegeCounts Fund 60       | Vanguard Total Bond Market Index Fund                             | 1,212,096         |
| CollegeCounts Fund 60       | Vanguard Total International Stock Index Fund                     | 5,715,628         |
| CollegeCounts Fund 60       | Vanguard REIT Index Fund  | 1,483,436         |
| Total CollegeCounts Fund 60 |   | <u>30,177,905</u> |

**CollegeCounts 529 Fund**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Note 3: Investments - Continued**

| Portfolio                    | Investment  | Balance                      |
|------------------------------|---|------------------------------|
| CollegeCounts Fund 70        | Vanguard Total Stock Market Index Fund                            | \$ 10,717,994                |
| CollegeCounts Fund 70        | Vanguard Short-Term Inflation-<br>Protected Securities Index Fund | 1,074,385                    |
| CollegeCounts Fund 70        | Vanguard Short-Term Bond Index Fund                               | 1,610,290                    |
| CollegeCounts Fund 70        | Vanguard Total Bond Market Index Fund                             | 5,357,923                    |
| CollegeCounts Fund 70        | Vanguard Total International Stock Index Fund                     | 6,133,805                    |
| CollegeCounts Fund 70        | Vanguard REIT Index Fund  | <u>1,841,098</u>             |
| Total CollegeCounts Fund 70  |   | <u>26,735,495</u>            |
| CollegeCounts Fund 80        | Vanguard Total Stock Market Index Fund                            | 18,014,951                   |
| CollegeCounts Fund 80        | Vanguard Short-Term Inflation-<br>Protected Securities Index Fund | 1,473,124                    |
| CollegeCounts Fund 80        | Vanguard Short-Term Bond Index Fund                               | 4,778,996                    |
| CollegeCounts Fund 80        | Vanguard Total Bond Market Index Fund                             | 1,105,729                    |
| CollegeCounts Fund 80        | Vanguard Total International Stock Index Fund                     | 9,513,467                    |
| CollegeCounts Fund 80        | Vanguard REIT Index Fund  | <u>1,804,223</u>             |
| Total CollegeCounts Fund 80  |   | <u>36,690,490</u>            |
| CollegeCounts Fund 90        | Vanguard Total Stock Market Index Fund                            | 9,141,290                    |
| CollegeCounts Fund 90        | Vanguard Short-Term Inflation-<br>Protected Securities Index Fund | 339,381                      |
| CollegeCounts Fund 90        | Vanguard Short-Term Bond Index Fund                               | 339,111                      |
| CollegeCounts Fund 90        | Vanguard Total Bond Market Index Fund                             | 1,015,491                    |
| CollegeCounts Fund 90        | Vanguard Total International Stock Index Fund                     | 5,054,564                    |
| CollegeCounts Fund 90        | Vanguard REIT Index Fund  | <u>996,990</u>               |
| Total CollegeCounts Fund 90  |   | <u>16,886,827</u>            |
| CollegeCounts Fund 100       | Vanguard Total Stock Market Index Fund                            | 14,029,258                   |
| CollegeCounts Fund 100       | Vanguard Total International Stock Index Fund                     | 8,975,990                    |
| CollegeCounts Fund 100       | Vanguard REIT Index Fund  | <u>1,967,088</u>             |
| Total CollegeCounts Fund 100 |   | <u>24,972,336</u>            |
|                              |   | <u><u>\$ 326,228,088</u></u> |

The following table reconciles the fair value of investments to the net position held in trust at September 30, 2016:

|  |                              |
|--|------------------------------|
| Fair value of investments, end of year               | \$ 326,228,088               |
| Plus cash, receivables and accrued investment income | 1,059,931                    |
| Less payables and accrued expenses                   | <u>(339,609)</u>             |
| Net position held in trust, end of year              | <u><u>\$ 326,948,410</u></u> |



**CollegeCounts 529 Fund**  
**Notes to the Financial Statements**  
**September 30, 2016**

**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, 2016:

|   |                      |
|---|----------------------|
| Fair value of investments, end of year  | \$ 326,228,088       |
| Less cost of investments purchased and investment income reinvested during the year | (65,814,199)         |
| Plus proceeds from investments sold during the year and management fees             | 22,330,405           |
| Less net position held in trust, beginning of year                                  | <u>(259,876,500)</u> |
| Net realized loss and net depreciation in fair value of investments                 | <u>\$ 22,867,794</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, 2016, approximately 7% of the investments in the plan have an AAA risk rating, 85% have a Baa>AA risk rating and approximately 4% have a B>Ba. Approximately 4% of the investments in the plan are not rated.

**CollegeCounts 529 Fund**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Note 3: Investments - Continued**

Interest Rate Risk – Although PIMCO Short-Term 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, Fidelity Advisor Investment Grade Bond Fund, MainStay Total Return Bond 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, 2016, the average duration and effective maturity of holdings in each of these mutual funds was as follows:

|   | <b>Average<br/>Duration</b> | <b>Average<br/>Maturity</b> |
|---|-----------------------------|-----------------------------|
| PIMCO Short-Term Fund   | 0.0 years                   | 0.9 years                   |
| Vanguard Intermediate-Term Bond Index Fund                    | 6.5 years                   | 7.2 years                   |
| Vanguard Total Bond Market Index Fund                         | 5.8 years                   | 8.1 years                   |
| Vanguard Prime Money Market Fund                              | n/a                         | 0.1 years                   |
| Vanguard Inflation-Protected Securities Fund                  | 7.9 years                   | 8.5 years                   |
| Vanguard Short-Term Bond Index Fund                           | 2.7 years                   | 2.8 years                   |
| Vanguard Short-Term Inflation-Protected Securities Index Fund | 2.6 years                   | 2.6 years                   |
| Fidelity Advisor Investment Grade Bond                        | 5.6 years                   | 7.9 years                   |
| MainStay Total Return Bond Fund                               | 5.2 years                   | 8.3 years                   |
| T. Rowe Price Balanced Fund                                   | 5.5 years                   | 7.6 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, 2016.

**CollegeCounts 529 Fund**  
**Notes to the Financial Statements**  
**September 30, 2016**

**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 \$17,500 for the year ended September 30, 2016. The Program Manager remits the annual account fees to the State of Alabama for purposes of the Plan. Effective for the year ended September 30, 2017, an annual account fee will no longer be assessed.

***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, 2016, or the program management fee, totaled \$730,351.

***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 0.05% to 0.08% for the Age-Based, 0.05% to 0.08% for the Target Portfolios and 0.02% to 0.64% for the Individual Fund Portfolios for the year ended September 30, 2016.

**Note 5: Related Party Investments**

A related entity of the State of Alabama has investment accounts in the Plan totaling approximately 3% of fiduciary net position held in trust at September 30, 2016.

**Note 6: Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

**CollegeCounts 529 Fund**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Note 6: Disclosures About Fair Value of Assets - Continued**

- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

***Recurring Measurements***

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2016:

|  | <b>Fair Value</b>     | <b>Fair Value Measurements Using</b>  |  |  |
|--|-----------------------|---|--|--|
|  |                       | <b>Quoted prices<br/>in Active<br/>Markets for<br/>Identical<br/>Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| <b>Investments by fair value level</b>   |                       |   |  |  |
| Equity securities                        |                       |   |  |  |
| Money market mutual funds                | \$ 14,599,829         | \$ 14,599,829   | \$ -   | \$ -   |
| Mutual funds                             | <u>311,628,259</u>    | 311,628,259   | -  | -  |
| Total investments measured at fair value | <u>\$ 326,228,088</u> |   |  |  |

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There were no Level 3 securities at September 30, 2016.

**CollegeCounts 529 Fund**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Note 7: 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.

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 8: Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

## **Supplemental Schedules**

**CollegeCounts 529 Fund**  
**Schedule of Fiduciary Net Position by Portfolio**  
**September 30, 2016**

|   | Portfolio                                    |  |  |   |  |                                       |  |
|---|--|--|--|---|--|---------------------------------------|--|
|   | DFA U.S. Large<br>Cap Value 529<br>Portfolio | DFA U.S. Small<br>Cap Value 529<br>Portfolio | Dodge & Cox<br>International<br>Stock 529<br>Portfolio | Fidelity Advisor<br>Investment<br>Grade Bond 529<br>Portfolio | MainStay Total<br>Return Bond 529<br>Portfolio | PIMCO Short-<br>Term 529<br>Portfolio | T. Rowe Price<br>Balanced 529<br>Portfolio |
| <b>Fiduciary Assets</b>                     |  |  |  |   |  |                                       |  |
| Investments, at fair value                  | \$ 430,303                                   | \$ 456,637                                   | \$ 829,656   | \$ 144,303  | \$ 85,201                                      | \$ 1,146,098                          | \$ 3,910,903                               |
| Cash  | 350  | 70   | 298  | 13  | -  | -                                     | -  |
| Receivables for contributions               | 163  | 73   | 178  | 19  | 28   | 243                                   | 4,307                                      |
| Accrued investment income                   | 2,051  | 174  | -  | 290   | 201  | 1,638                                 | -  |
| Total fiduciary assets                      | <u>432,867</u>                               | <u>456,954</u>                               | <u>830,132</u>   | <u>144,625</u>  | <u>85,430</u>                                  | <u>1,147,979</u>                      | <u>3,915,210</u>                           |
| <b>Liabilities</b>                          |  |  |  |   |  |                                       |  |
| Distributions payable to shareholders       | -  | -  | -  | -   | -  | -                                     | -  |
| Withdrawals payable                         | -  | -  | 6,000  | -   | -  | -                                     | -  |
| Accrued expenses                            | 85   | 90   | 170  | 32  | 17   | 236                                   | 15,195                                     |
| Total liabilities                           | <u>85</u>                                    | <u>90</u>                                    | <u>6,170</u>   | <u>32</u>   | <u>17</u>                                      | <u>236</u>                            | <u>15,195</u>                              |
| <b>Fiduciary Net Position Held in Trust</b> | <u>\$ 432,782</u>                            | <u>\$ 456,864</u>                            | <u>\$ 823,962</u>                                      | <u>\$ 144,593</u>   | <u>\$ 85,413</u>                               | <u>\$ 1,147,743</u>                   | <u>\$ 3,900,015</u>                        |
| <b>Unit Information</b>                     |  |  |  |   |  |                                       |  |
| Units outstanding                           | 40,399                                       | 43,232                                       | 96,267   | 13,093  | 8,050  | 106,218                               | 234,546                                    |
| Net position value per unit, ending         | \$ 10.71                                     | \$ 10.57                                     | \$ 8.56  | \$ 11.04  | \$ 10.61                                       | \$ 10.81                              | \$ 16.63                                   |
| Net position value per unit, beginning      | \$ 9.33                                      | \$ 9.35                                      | \$ 8.12  | \$ 10.37  | \$ 9.95  | \$ 10.56                              | \$ 15.16                                   |

**CollegeCounts 529 Fund**  
**Schedule of Fiduciary Net Position by Portfolio**  
**September 30, 2016**

|   | Portfolio   |                                       |  |   |   |  |   |
|---|---|---------------------------------------|--|---|---|--|---|
|   | T. Rowe Price<br>Large-Cap<br>Growth 529<br>Portfolio | Vanguard<br>Explorer 529<br>Portfolio | Vanguard 500<br>Index 529<br>Portfolio | Vanguard<br>Extended Market<br>Index 529<br>Portfolio | Vanguard<br>Growth Index<br>529 Portfolio | Vanguard<br>Inflation-<br>Protected<br>Securities 529<br>Portfolio | Vanguard<br>Intermediate-<br>Term Bond Index<br>529 Portfolio |
| <b>Fiduciary Assets</b>                     |   |                                       |  |   |   |  |   |
| Investments, at fair value                  | \$ 1,516,244  | \$ 221,582                            | \$ 12,973,189                          | \$ 1,092,363  | \$ 5,601,491                              | \$ 1,141,842   | \$ 1,296,816  |
| Cash  | 574   | 124                                   | 11,739                                 | 1,596   | 560                                       | 79   | 1,000   |
| Receivables for contributions               | 257   | 1                                     | 1,738                                  | 132   | 4,827                                     | 209  | 246   |
| Accrued investment income                   | -   | -                                     | -                                      | -   | -   | -  | 2,620   |
| Total fiduciary assets                      | <u>1,517,075</u>                                      | <u>221,707</u>                        | <u>12,986,666</u>                      | <u>1,094,091</u>                                      | <u>5,606,878</u>                          | <u>1,142,130</u>   | <u>1,300,682</u>  |
| <b>Liabilities</b>                          |   |                                       |  |   |   |  |   |
| Distributions payable to shareholders       | -   | -                                     | -                                      | -   | -   | -  | -   |
| Withdrawals payable                         | -   | -                                     | 126                                    | 126   | -   | -  | -   |
| Accrued expenses                            | 307   | 43                                    | 2,652                                  | 222   | 1,130                                     | 232  | 264   |
| Total liabilities                           | <u>307</u>  | <u>43</u>                             | <u>2,778</u>                           | <u>348</u>  | <u>1,130</u>                              | <u>232</u>   | <u>264</u>  |
| <b>Fiduciary Net Position Held in Trust</b> | <u>\$ 1,516,768</u>                                   | <u>\$ 221,664</u>                     | <u>\$ 12,983,888</u>                   | <u>\$ 1,093,743</u>                                   | <u>\$ 5,605,748</u>                       | <u>\$ 1,141,898</u>  | <u>\$ 1,300,418</u>   |
| <b>Unit Information</b>                     |   |                                       |  |   |   |  |   |
| Units outstanding                           | 129,818   | 20,167                                | 602,899                                | 52,002  | 249,789                                   | 93,656   | 99,248  |
| Net position value per unit, ending         | \$ 11.68  | \$ 10.99                              | \$ 21.54                               | \$ 21.03  | \$ 22.44                                  | \$ 12.19   | \$ 13.10  |
| Net position value per unit, beginning      | \$ 10.66  | \$ 9.67                               | \$ 18.70                               | \$ 18.58  | \$ 19.83                                  | \$ 11.46   | \$ 12.36  |



**CollegeCounts 529 Fund**  
**Schedule of Fiduciary Net Position by Portfolio**  
**September 30, 2016**

|   | Portfolio                                   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
|   | Vanguard Mid-<br>Cap Index 529<br>Portfolio | Vanguard Prime<br>Money Market<br>529 Portfolio | Vanguard REIT<br>Index 529<br>Portfolio | Vanguard Small-<br>Cap Growth<br>Index 529<br>Portfolio | Vanguard Small-<br>Cap Index 529<br>Portfolio | Vanguard Small-<br>Cap Value Index<br>529 Portfolio | Vanguard Total<br>Bond Market<br>Index 529<br>Portfolio |
| <b>Fiduciary Assets</b>                     |   |   |   |   |   |   |   |
| Investments, at fair value                  | \$ 5,581,301                                | \$ 8,343,058                                    | \$ 3,766,825                            | \$ 3,167,929  | \$ 1,940,620                                  | \$ 2,640,526  | \$ 8,450,543  |
| Cash  | 4,718                                       | -   | 11,056                                  | 1,956   | 108   | 604   | 1,580   |
| Receivables for contributions               | 657   | 2,116   | 953                                     | 804   | 546   | 509   | 502   |
| Accrued investment income                   | -   | 4,019   | -                                       | -   | -   | -   | 16,210  |
| Total fiduciary assets                      | <u>5,586,676</u>                            | <u>8,349,193</u>                                | <u>3,778,834</u>                        | <u>3,170,689</u>  | <u>1,941,274</u>                              | <u>2,641,639</u>                                    | <u>8,468,835</u>  |
| <b>Liabilities</b>                          |   |   |   |   |   |   |   |
| Distributions payable to shareholders       | -   | 775   | -                                       | -   | -   | -   | -   |
| Withdrawals payable                         | 126   | 78,893  | -                                       | 126   | -   | -   | -   |
| Accrued expenses                            | 1,133                                       | 1,330   | 771                                     | 647   | 394   | 529   | 1,728   |
| Total liabilities                           | <u>1,259</u>                                | <u>80,998</u>                                   | <u>771</u>                              | <u>773</u>  | <u>394</u>                                    | <u>529</u>  | <u>1,728</u>  |
| <b>Fiduciary Net Position Held in Trust</b> | <u>\$ 5,585,417</u>                         | <u>\$ 8,268,195</u>                             | <u>\$ 3,778,063</u>                     | <u>\$ 3,169,916</u>                                     | <u>\$ 1,940,880</u>                           | <u>\$ 2,641,110</u>                                 | <u>\$ 8,467,107</u>                                     |
| <b>Unit Information</b>                     |   |   |   |   |   |   |   |
| Units outstanding                           | 260,073                                     | 8,268,343                                       | 184,232                                 | 149,614   | 91,437  | 125,526   | 692,256   |
| Net position value per unit, ending         | \$ 21.48                                    | \$ 1.00   | \$ 20.51                                | \$ 21.19  | \$ 21.23                                      | \$ 21.04  | \$ 12.23  |
| Net position value per unit, beginning      | \$ 19.11                                    | \$ 1.00   | \$ 17.17                                | \$ 18.78  | \$ 18.50                                      | \$ 18.08  | \$ 11.64  |

**CollegeCounts 529 Fund**  
**Schedule of Fiduciary Net Position by Portfolio**  
**September 30, 2016**

|   | Portfolio   |  |  |  |   |   |                                       |
|---|---|--|--|--|---|---|---------------------------------------|
|   | Vanguard Total<br>International<br>Stock Index 529<br>Portfolio | Vanguard Total<br>Stock Market<br>Index 529<br>Portfolio | Vanguard Value<br>Index 529<br>Portfolio | Vanguard Short-<br>Term Inflation-<br>Protected 529<br>Portfolio | Vanguard Short-<br>Term Bond Index<br>529 Portfolio | CollegeCounts<br>Conservative<br>Money Market<br>Fund | CollegeCounts<br>Fixed Income<br>Fund |
| <b>Fiduciary Assets</b>                     |   |  |  |  |   |   |                                       |
| Investments, at fair value                  | \$ 5,474,054  | \$ 8,324,308   | \$ 3,420,807                             | \$ 250,083   | \$ 1,230,917  | \$ -  | \$ 4,067,956                          |
| Cash  | 3,580   | 2,801  | 2,696                                    | -  | -   | -   | -                                     |
| Receivables for contributions               | 1,700   | 5,693  | 1,275                                    | -  | 63  | -   | 30,509                                |
| Accrued investment income                   | -   | -  | -  | -  | 1,512   | -   | 6,564                                 |
| Total fiduciary assets                      | <u>5,479,334</u>  | <u>8,332,802</u>   | <u>3,424,778</u>                         | <u>250,083</u>   | <u>1,232,492</u>                                    | <u>-</u>  | <u>4,105,029</u>                      |
| <b>Liabilities</b>                          |   |  |  |  |   |   |                                       |
| Distributions payable to shareholders       | -   | -  | -  | -  | -   | -   | -                                     |
| Withdrawals payable                         | 6,000   | 126  | -  | -  | -   | -   | 400                                   |
| Accrued expenses                            | 1,113   | 1,692  | 693                                      | 50   | 252   | -   | 2,120                                 |
| Total liabilities                           | <u>7,113</u>  | <u>1,818</u>   | <u>693</u>                               | <u>50</u>  | <u>252</u>  | <u>-</u>  | <u>2,520</u>                          |
| <b>Fiduciary Net Position Held in Trust</b> | <u>\$ 5,472,221</u>   | <u>\$ 8,330,984</u>                                      | <u>\$ 3,424,085</u>                      | <u>\$ 250,033</u>  | <u>\$ 1,232,240</u>                                 | <u>\$ -</u>   | <u>\$ 4,102,509</u>                   |
| <b>Unit Information</b>                     |   |  |  |  |   |   |                                       |
| Units outstanding                           | 438,762   | 386,476  | 166,082                                  | 24,846   | 117,997   | -   | 382,289                               |
| Net position value per unit, ending         | \$ 12.47  | \$ 21.56   | \$ 20.62                                 | \$ 10.06   | \$ 10.44  | \$ -  | \$ 10.73                              |
| Net position value per unit, beginning      | \$ 11.42  | \$ 18.80   | \$ 17.77                                 | \$ 9.84  | \$ 10.26  | \$ 1.00   | \$ 10.59                              |

**CollegeCounts 529 Fund**  
**Schedule of Fiduciary Net Position by Portfolio**  
**September 30, 2016**

|   | <b>Portfolio</b>                 |                                  |                                  |                                  |                                  |                                  |                                  |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|   | <b>CollegeCounts<br/>Fund 10</b> | <b>CollegeCounts<br/>Fund 20</b> | <b>CollegeCounts<br/>Fund 30</b> | <b>CollegeCounts<br/>Fund 40</b> | <b>CollegeCounts<br/>Fund 50</b> | <b>CollegeCounts<br/>Fund 60</b> | <b>CollegeCounts<br/>Fund 70</b> |
| <b>Fiduciary Assets</b>                     |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| Investments, at fair value                  | \$ 10,829,323                    | \$ 19,185,608                    | \$ 22,862,345                    | \$ 26,270,366                    | \$ 24,111,838                    | \$ 30,177,905                    | \$ 26,735,495                    |
| Cash  | 2,336                            | -                                | 6,291                            | 388                              | 297,055                          | 80,874                           | 153,674                          |
| Receivables for contributions               | 46,434                           | 11,999                           | 64,216                           | 9,360                            | 4,186                            | 54,927                           | 8,546                            |
| Accrued investment income                   | 397                              | 22,471                           | 715                              | 34,992                           | 646                              | 30,646                           | 405                              |
| Total fiduciary assets                      | <u>10,878,490</u>                | <u>19,220,078</u>                | <u>22,933,567</u>                | <u>26,315,106</u>                | <u>24,413,725</u>                | <u>30,344,352</u>                | <u>26,898,120</u>                |
| <b>Liabilities</b>                          |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| Distributions payable to shareholders       | -                                | -                                | -                                | -                                | -                                | -                                | -                                |
| Withdrawals payable                         | 3,110                            | 150                              | 8,626                            | 59,558                           | 1,941                            | -                                | 37,226                           |
| Accrued expenses                            | 74                               | 7,857                            | 156                              | 7,876                            | 164                              | 10,460                           | 182                              |
| Total liabilities                           | <u>3,184</u>                     | <u>8,007</u>                     | <u>8,782</u>                     | <u>67,434</u>                    | <u>2,105</u>                     | <u>10,460</u>                    | <u>37,408</u>                    |
| <b>Fiduciary Net Position Held in Trust</b> | <u>\$ 10,875,306</u>             | <u>\$ 19,212,071</u>             | <u>\$ 22,924,785</u>             | <u>\$ 26,247,672</u>             | <u>\$ 24,411,620</u>             | <u>\$ 30,333,892</u>             | <u>\$ 26,860,712</u>             |
| <b>Unit Information</b>                     |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| Units outstanding                           | 1,088,469                        | 1,480,995                        | 2,296,901                        | 1,805,085                        | 2,447,729                        | 1,935,331                        | 2,696,413                        |
| Net position value per unit, ending         | \$ 9.99                          | \$ 12.97                         | \$ 9.98                          | \$ 14.54                         | \$ 9.97                          | \$ 15.67                         | \$ 9.96                          |
| Net position value per unit, beginning      | \$ -                             | \$ 12.32                         | \$ -                             | \$ 13.47                         | \$ -                             | \$ 14.30                         | \$ -                             |

**CollegeCounts 529 Fund**  
**Schedule of Fiduciary Net Position by Portfolio**  
**September 30, 2016**

|   | <b>Portfolio</b>                 |                                  |                                   |                       |
|---|----------------------------------|----------------------------------|-----------------------------------|-----------------------|
|   | <b>CollegeCounts<br/>Fund 80</b> | <b>CollegeCounts<br/>Fund 90</b> | <b>CollegeCounts<br/>Fund 100</b> | <b>Plan Total</b>     |
| <b>Fiduciary Assets</b>                     |                                  |                                  |                                   |                       |
| Investments, at fair value                  | \$ 36,690,490                    | \$ 16,886,827                    | \$ 24,972,336                     | \$ 326,228,088        |
| Cash  | -                                | -                                | 4,764                             | 590,884               |
| Receivables for contributions               | 36,515                           | 23,409                           | 8,801                             | 326,141               |
| Accrued investment income                   | 17,277                           | 78                               | -                                 | 142,906               |
|   | <u>36,744,282</u>                | <u>16,910,314</u>                | <u>24,985,901</u>                 | <u>327,288,019</u>    |
| Total fiduciary assets                      |                                  |                                  |                                   |                       |
| <b>Liabilities</b>                          |                                  |                                  |                                   |                       |
| Distributions payable to shareholders       | -                                | -                                | -                                 | 775                   |
| Withdrawals payable                         | 2,900                            | 13,246                           | 15,806                            | 234,486               |
| Accrued expenses                            | 31,729                           | 1,047                            | 11,676                            | 104,348               |
|   | <u>34,629</u>                    | <u>14,293</u>                    | <u>27,482</u>                     | <u>339,609</u>        |
| Total liabilities                           |                                  |                                  |                                   |                       |
| <b>Fiduciary Net Position Held in Trust</b> | <u>\$ 36,709,653</u>             | <u>\$ 16,896,021</u>             | <u>\$ 24,958,419</u>              | <u>\$ 326,948,410</u> |
| <b>Unit Information</b>                     |                                  |                                  |                                   |                       |
| Units outstanding                           | 2,165,869                        | 1,696,479                        | 1,371,817                         |                       |
| Net position value per unit, ending         | \$ 16.95                         | \$ 9.96                          | \$ 18.19                          |                       |
| Net position value per unit, beginning      | \$ 15.20                         | \$ -                             | \$ 16.07                          |                       |

## CollegeCounts 529 Fund

### Schedule of Changes in Fiduciary Net Position and Financial Highlights by Portfolio For the Year Ended September 30, 2016

|   | Portfolio                                    |  |  |   |  |                                       |  |
|---|--|--|--|---|--|---------------------------------------|--|
|   | DFA U.S. Large<br>Cap Value 529<br>Portfolio | DFA U.S. Small<br>Cap Value 529<br>Portfolio | Dodge & Cox<br>International<br>Stock 529<br>Portfolio | Fidelity Advisor<br>Investment<br>Grade Bond 529<br>Portfolio | MainStay Total<br>Return Bond 529<br>Portfolio | PIMCO Short-<br>Term 529<br>Portfolio | T. Rowe Price<br>Balanced 529<br>Portfolio |
| <b>Additions</b>  |  |  |  |   |  |                                       |  |
| Contributions   | \$ 121,252                                   | \$ 91,937                                    | \$ 265,947   | \$ 33,941   | \$ 33,476                                      | \$ 257,034                            | \$ 569,385                                 |
| Exchanges in  | 32,266                                       | 70,309                                       | 82,908   | 25,032  | 52,444   | 250,026                               | 38,975                                     |
| Investment Income   |  |  |  |   |  |                                       |  |
| Dividends and interest  | 24,517                                       | 23,765                                       | 14,277   | 4,055   | 1,432  | 22,705                                | 256,445                                    |
| <b>Total additions</b>  | <u>178,035</u>                               | <u>186,011</u>                               | <u>363,132</u>   | <u>63,028</u>   | <u>87,352</u>                                  | <u>529,765</u>                        | <u>864,805</u>                             |
| <b>Deductions</b>   |  |  |  |   |  |                                       |  |
| Withdrawals   | 13,286                                       | 5,749  | 54,208   | 36,170  | 8,020  | 351,801                               | 394,009                                    |
| Exchanges out   | 92,583                                       | 176,107                                      | 87,745   | 38,240  | 2,264  | 76,342                                | 178,288                                    |
| Management fees   | 978  | 1,200  | 1,807  | 392   | 114  | 2,667                                 | 9,476                                      |
| <b>Total deductions</b>   | <u>106,847</u>                               | <u>183,056</u>                               | <u>143,760</u>   | <u>74,802</u>   | <u>10,398</u>                                  | <u>430,810</u>                        | <u>581,773</u>                             |
| <b>Net Realized Gain (Loss) and Net Appreciation<br/>(Depreciation) in Fair Value</b> | <u>29,006</u>                                | <u>46,785</u>                                | <u>38,603</u>  | <u>6,320</u>  | <u>2,398</u>                                   | <u>4,848</u>                          | <u>104,228</u>                             |
| <b>Net Increase (Decrease)</b>  | 100,194                                      | 49,740                                       | 257,975  | (5,454)   | 79,352   | 103,803                               | 387,260                                    |
| <b>Fiduciary Net Position, Beginning of Year</b>                                      | <u>332,588</u>                               | <u>407,124</u>                               | <u>565,987</u>   | <u>150,047</u>  | <u>6,061</u>                                   | <u>1,043,940</u>                      | <u>3,512,755</u>                           |
| <b>Fiduciary Net Position, End of Year</b>  | <u>\$ 432,782</u>                            | <u>\$ 456,864</u>                            | <u>\$ 823,962</u>                                      | <u>\$ 144,593</u>   | <u>\$ 85,413</u>                               | <u>\$ 1,147,743</u>                   | <u>\$ 3,900,015</u>                        |
| <b>Financial Highlights For the Year</b>  |  |  |  |   |  |                                       |  |
| Ratio of net investment income to<br>average net position*                            | 6.02%  | 4.70%  | 1.72%  | 2.34%   | 2.87%  | 1.88%                                 | 6.51%                                      |
| Ratio of expense to average net position **   | 0.25%  | 0.25%  | 0.25%  | 0.25%   | 0.25%  | 0.25%                                 | 0.25%                                      |
| Total return ***  | 14.79%                                       | 13.05%                                       | 5.42%  | 6.46%   | 6.63%  | 2.37%                                 | 9.70%                                      |

\* 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, 2016

|   | Portfolio   |                                       |  |   |   |  |   |
|---|---|---------------------------------------|--|---|---|--|---|
|   | T. Rowe Price<br>Large-Cap<br>Growth 529<br>Portfolio | Vanguard<br>Explorer 529<br>Portfolio | Vanguard 500<br>Index 529<br>Portfolio | Vanguard<br>Extended Market<br>Index 529<br>Portfolio | Vanguard<br>Growth Index<br>529 Portfolio | Vanguard<br>Inflation-<br>Protected<br>Securities 529<br>Portfolio | Vanguard<br>Intermediate-<br>Term Bond Index<br>529 Portfolio |
| <b>Additions</b>  |   |                                       |  |   |   |  |   |
| Contributions   | \$ 620,004  | \$ 97,013                             | \$ 2,131,715                           | \$ 187,156  | \$ 1,019,445                              | \$ 256,886   | \$ 281,623  |
| Exchanges in  | 399,850   | 13,859                                | 997,048                                | 8,142   | 368,117                                   | 122,647  | 220,882   |
| Investment Income   |   |                                       |  |   |   |  |   |
| Dividends and interest  | 57,520  | 17,765                                | 250,063                                | 14,763  | 68,938                                    | 8,042  | 32,146  |
| Total additions   | <u>1,077,374</u>                                      | <u>128,637</u>                        | <u>3,378,826</u>                       | <u>210,061</u>  | <u>1,456,500</u>                          | <u>387,575</u>   | <u>534,651</u>  |
| <b>Deductions</b>   |   |                                       |  |   |   |  |   |
| Withdrawals   | 90,839  | 21,307                                | 491,931                                | 40,080  | 224,338                                   | 136,319  | 132,267   |
| Exchanges out   | 401,514   | 52,098                                | 777,322                                | 111,587   | 416,594                                   | 79,142   | 122,439   |
| Management fees   | 3,591   | 473                                   | 28,596                                 | 2,518   | 12,729                                    | 2,615  | 2,812   |
| Total deductions  | <u>495,944</u>  | <u>73,878</u>                         | <u>1,297,849</u>                       | <u>154,185</u>  | <u>653,661</u>                            | <u>218,076</u>   | <u>257,518</u>  |
| <b>Net Realized Gain (Loss) and Net Appreciation<br/>(Depreciation) in Fair Value</b> | <u>61,265</u>   | <u>8,313</u>                          | <u>1,384,380</u>                       | <u>114,820</u>  | <u>571,925</u>                            | <u>61,105</u>  | <u>37,657</u>   |
| <b>Net Increase (Decrease)</b>  | 642,695   | 63,072                                | 3,465,357                              | 170,696   | 1,374,764                                 | 230,604  | 314,790   |
| <b>Fiduciary Net Position, Beginning of Year</b>                                      | <u>874,073</u>  | <u>158,592</u>                        | <u>9,518,531</u>                       | <u>923,047</u>  | <u>4,230,984</u>                          | <u>911,294</u>   | <u>985,628</u>  |
| <b>Fiduciary Net Position, End of Year</b>  | <u>\$ 1,516,768</u>                                   | <u>\$ 221,664</u>                     | <u>\$ 12,983,888</u>                   | <u>\$ 1,093,743</u>                                   | <u>\$ 5,605,748</u>                       | <u>\$ 1,141,898</u>  | <u>\$ 1,300,418</u>   |
| <b>Financial Highlights For the Year</b>  |   |                                       |  |   |   |  |   |
| Ratio of net investment income to<br>average net position*                            | 3.75%   | 9.13%                                 | 1.93%                                  | 1.22%   | 1.10%                                     | 0.52%  | 2.61%   |
| Ratio of expense to average net position **   | 0.25%   | 0.25%                                 | 0.25%                                  | 0.25%   | 0.25%                                     | 0.25%  | 0.25%   |
| Total return ***  | 9.57%   | 13.65%                                | 15.19%                                 | 13.19%  | 13.16%                                    | 6.37%  | 5.99%   |

\* 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, 2016

|   | 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 | Vanguard Small-Cap Index 529 Portfolio | Vanguard Small-Cap Value Index 529 Portfolio | Vanguard Total Bond Market Index 529 Portfolio |
| <b>Additions</b>  |                                      |   |                                   |   |  |  |  |
| Contributions   | \$ 758,534                           | \$ 2,592,729                              | \$ 571,412                        | \$ 536,735                                    | \$ 350,706                             | \$ 316,879                                   | \$ 1,113,735                                   |
| Exchanges in  | 125,124                              | 3,753,365                                 | 677,400                           | 41,599  | 89,898                                 | 213,813                                      | 521,607  |
| Investment Income   |                                      |   |                                   |   |  |  |  |
| Dividends and interest  | 80,153                               | 28,627                                    | 126,465                           | 30,687  | 28,610                                 | 47,676                                       | 201,213  |
| Total additions   | 963,811                              | 6,374,721                                 | 1,375,277                         | 609,021                                       | 469,214                                | 578,368                                      | 1,836,555                                      |
| <b>Deductions</b>   |                                      |   |                                   |   |  |  |  |
| Withdrawals   | 287,271                              | 2,415,484                                 | 139,769                           | 149,681                                       | 142,804                                | 217,057                                      | 852,688  |
| Exchanges out   | 428,460                              | 1,096,967                                 | 348,561                           | 330,296                                       | 213,300                                | 168,120                                      | 227,090  |
| Management fees   | 13,032                               | 10,486                                    | 7,749                             | 7,303   | 4,494                                  | 5,855  | 19,891   |
| Total deductions  | 728,763                              | 3,522,937                                 | 496,079                           | 487,280                                       | 360,598                                | 391,032                                      | 1,099,669                                      |
| <b>Net Realized Gain (Loss) and Net Appreciation (Depreciation) in Fair Value</b> | 555,487                              | -   | 398,054                           | 345,094                                       | 229,495                                | 323,806                                      | 214,469  |
| <b>Net Increase (Decrease)</b>  | 790,535                              | 2,851,784                                 | 1,277,252                         | 466,835                                       | 338,111                                | 511,142                                      | 951,355  |
| <b>Fiduciary Net Position, Beginning of Year</b>                                  | 4,794,882                            | 5,416,411                                 | 2,500,811                         | 2,703,081                                     | 1,602,769                              | 2,129,968                                    | 7,515,752                                      |
| <b>Fiduciary Net Position, End of Year</b>  | \$ 5,585,417                         | \$ 8,268,195                              | \$ 3,778,063                      | \$ 3,169,916                                  | \$ 1,940,880                           | \$ 2,641,110                                 | \$ 8,467,107                                   |
| <b>Financial Highlights For the Year</b>  |                                      |   |                                   |   |  |  |  |
| Ratio of net investment income to average net position*                           | 1.29%                                | 0.28%                                     | 3.83%                             | 0.80%   | 1.34%                                  | 1.78%  | 2.28%  |
| Ratio of expense to average net position **                                       | 0.25%                                | 0.16%                                     | 0.25%                             | 0.25%   | 0.25%                                  | 0.25%  | 0.25%  |
| Total return ***  | 12.40%                               | 0.26%                                     | 19.45%                            | 12.83%  | 14.76%                                 | 16.37%                                       | 5.07%  |

\* 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, 2016

|   | Portfolio   |  |  |  |   |   |                                    |
|---|---|--|--|--|---|---|------------------------------------|
|   | Vanguard Total<br>International<br>Stock Index 529<br>Portfolio | Vanguard Total<br>Stock Market<br>Index 529<br>Portfolio | Vanguard Value<br>Index 529<br>Portfolio | Vanguard Short-<br>Term Inflation-<br>Protected 529<br>Portfolio | Vanguard Short-<br>Term Bond Index<br>529 Portfolio | CollegeCounts<br>Conservative<br>Money Market<br>Fund | CollegeCounts<br>Fixed Income Fund |
| <b>Additions</b>  |   |  |  |  |   |   |                                    |
| Contributions   | \$ 987,590  | \$ 1,460,927   | \$ 487,156                               | \$ 49,667  | \$ 274,438  | \$ 229,320  | \$ 1,508,749                       |
| Exchanges in  | 338,982   | 417,100  | 135,929                                  | 30,527   | 356,441   | 734,881   | 6,210,999                          |
| Investment Income   |   |  |  |  |   |   |                                    |
| Dividends and interest  | 155,976   | 149,224  | 83,492                                   | -  | 16,044  | 5,077   | 66,067                             |
| Total additions   | <u>1,482,548</u>  | <u>2,027,251</u>   | <u>706,577</u>                           | <u>80,194</u>  | <u>646,923</u>                                      | <u>969,278</u>  | <u>7,785,815</u>                   |
| <b>Deductions</b>   |   |  |  |  |   |   |                                    |
| Withdrawals   | 272,441   | 270,072  | 222,786                                  | 18,150   | 182,178   | 740,915   | 2,735,837                          |
| Exchanges out   | 1,488,185   | 531,145  | 424,250                                  | 5,955  | 96,488  | 1,277,226   | 7,948,265                          |
| Management fees   | 13,769  | 18,610   | 8,027                                    | 540  | 2,671   | 1,872   | 19,043                             |
| Total deductions  | <u>1,774,395</u>  | <u>819,827</u>   | <u>655,063</u>                           | <u>24,645</u>  | <u>281,337</u>                                      | <u>2,020,013</u>                                      | <u>10,703,145</u>                  |
| <b>Net Realized Gain (Loss) and Net Appreciation<br/>(Depreciation) in Fair Value</b> | <u>343,951</u>  | <u>890,292</u>   | <u>392,405</u>                           | <u>5,733</u>   | <u>6,536</u>  | <u>12</u>   | <u>52,874</u>                      |
| <b>Net Increase (Decrease)</b>  | 52,104  | 2,097,716  | 443,919                                  | 61,282   | 372,122   | (1,050,723)   | (2,864,456)                        |
| <b>Fiduciary Net Position, Beginning of Year</b>                                      | <u>5,420,117</u>  | <u>6,233,268</u>   | <u>2,980,166</u>                         | <u>188,751</u>   | <u>860,118</u>                                      | <u>1,050,723</u>                                      | <u>6,966,965</u>                   |
| <b>Fiduciary Net Position, End of Year</b>  | <u>\$ 5,472,221</u>   | <u>\$ 8,330,984</u>                                      | <u>\$ 3,424,085</u>                      | <u>\$ 250,033</u>  | <u>\$ 1,232,240</u>                                 | <u>\$ -</u>   | <u>\$ 4,102,509</u>                |
| <b>Financial Highlights For the Year</b>  |   |  |  |  |   |   |                                    |
| Ratio of net investment income to<br>average net position*                            | 2.58%   | 1.75%  | 2.35%                                    | -0.25%   | 1.25%   | 0.30%   | 0.62%                              |
| Ratio of expense to average net position **   | 0.25%   | 0.25%  | 0.25%                                    | 0.25%  | 0.25%   | 0.18%   | 0.25%                              |
| Total return ***  | 9.19%   | 14.68%   | 16.04%                                   | 2.24%  | 1.75%   | A   | 1.32%                              |

\* 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.

A: The CollegeCounts Conservative Money Market Fund was liquidated on September 28, 2016. See Note 2.



# CollegeCounts 529 Fund

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

### For the Year Ended September 30, 2016

|   | Portfolio                |                          |                          |                          |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|   | CollegeCounts<br>Fund 10 | CollegeCounts<br>Fund 20 | CollegeCounts<br>Fund 30 | CollegeCounts<br>Fund 40 | CollegeCounts<br>Fund 50 | CollegeCounts<br>Fund 60 | CollegeCounts<br>Fund 70 |
| <b>Additions</b>  |                          |                          |                          |                          |                          |                          |                          |
| Contributions   | \$ 7,332                 | \$ 3,541,309             | \$ 14,061                | \$ 5,144,293             | \$ 255,846               | \$ 7,855,477             | \$ 141,981               |
| Exchanges in  | 10,881,874               | 24,941,588               | 22,963,493               | 33,668,666               | 24,221,886               | 35,920,656               | 26,858,406               |
| Investment Income   |                          |                          |                          |                          |                          |                          |                          |
| Dividends and interest  | 397                      | 353,456                  | 715                      | 738,063                  | 646                      | 1,058,272                | 405                      |
| Total additions   | 10,889,603               | 28,836,353               | 22,978,269               | 39,551,022               | 24,478,378               | 44,834,405               | 27,000,792               |
| <b>Deductions</b>   |                          |                          |                          |                          |                          |                          |                          |
| Withdrawals   | 4,560                    | 4,783,538                | 52                       | 3,105,266                | -                        | 960,255                  | -                        |
| Exchanges out   | -                        | 23,510,381               | 8,626                    | 44,013,778               | 1,941                    | 58,529,390               | 37,226                   |
| Management fees   | 74                       | 51,373                   | 156                      | 87,208                   | 164                      | 117,981                  | 182                      |
| Total deductions  | 4,634                    | 28,345,292               | 8,834                    | 47,206,252               | 2,105                    | 59,607,626               | 37,408                   |
| <b>Net Realized Gain (Loss) and Net Appreciation (Depreciation) in Fair Value</b> | (9,663)                  | 779,578                  | (44,650)                 | 2,077,304                | (64,653)                 | 3,501,726                | (102,672)                |
| <b>Net Increase (Decrease)</b>  | 10,875,306               | 1,270,639                | 22,924,785               | (5,577,926)              | 24,411,620               | (11,271,495)             | 26,860,712               |
| <b>Fiduciary Net Position, Beginning of Year</b>                                  | -                        | 17,941,432               | -                        | 31,825,598               | -                        | 41,605,387               | -                        |
| <b>Fiduciary Net Position, End of Year</b>  | \$ 10,875,306            | \$ 19,212,071            | \$ 22,924,785            | \$ 26,247,672            | \$ 24,411,620            | \$ 30,333,892            | \$ 26,860,712            |
| <b>Financial Highlights For the Year</b>  |                          |                          |                          |                          |                          |                          |                          |
| Ratio of net investment income to average net position*                           | 1.09%B                   | 1.47%                    | 0.90%B                   | 1.87%                    | 0.44%B                   | 1.99%                    | 0.31%B                   |
| Ratio of expense to average net position **                                       | 0.25%B                   | 0.25%                    | 0.25%B                   | 0.25%                    | 0.15%B                   | 0.25%                    | 0.25%B                   |
| Total return ***  | -0.10%                   | 5.28%                    | -0.20%                   | 7.94%                    | -0.30%                   | 9.58%                    | -0.40%                   |

\* 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.

B: Fund was opened during the year. Ratios are annualized. See Note 2.

**CollegeCounts 529 Fund**  
**Schedule of Changes in Fiduciary Net Position and Financial Highlights by Portfolio**  
**For the Year Ended September 30, 2016**

|   | Portfolio                |                          |                           |                      |                       |
|---|--------------------------|--------------------------|---------------------------|----------------------|-----------------------|
|   | CollegeCounts Fund<br>80 | CollegeCounts<br>Fund 90 | CollegeCounts<br>Fund 100 | Eliminations         | Plan Total            |
| <b>Additions</b>  |                          |                          |                           |                      |                       |
| Contributions   | \$ 12,758,061            | \$ 23,070                | \$ 13,360,192             | \$ -                 | \$ 60,307,013         |
| Exchanges in  | 36,318,286               | 16,968,920               | 6,775,580                 | (255,849,525)        | -                     |
| Investment Income   |                          |                          |                           |                      |                       |
| Dividends and interest  | 1,286,937                | 78                       | 1,312,404                 | -                    | 6,567,117             |
| Total additions   | <u>50,363,284</u>        | <u>16,992,068</u>        | <u>21,448,176</u>         | <u>(255,849,525)</u> | <u>66,874,130</u>     |
| <b>Deductions</b>   |                          |                          |                           |                      |                       |
| Withdrawals   | 992,927                  | 783                      | 1,444,825                 | -                    | 21,939,663            |
| Exchanges out   | 65,264,588               | 26,446                   | 47,260,576                | (255,849,525)        | -                     |
| Management fees   | 137,070                  | 115                      | 132,718                   | -                    | 730,351               |
| Total deductions  | <u>66,394,585</u>        | <u>27,344</u>            | <u>48,838,119</u>         | <u>(255,849,525)</u> | <u>22,670,014</u>     |
| <b>Net Realized Gain (Loss) and Net Appreciation<br/>(Depreciation) in Fair Value</b> | <u>4,960,401</u>         | <u>(68,703)</u>          | <u>5,609,265</u>          | <u>-</u>             | <u>22,867,794</u>     |
| <b>Net Increase (Decrease)</b>  | (11,070,900)             | 16,896,021               | (21,780,678)              | -                    | 67,071,910            |
| <b>Fiduciary Net Position, Beginning of Year</b>                                      | <u>47,780,553</u>        | <u>-</u>                 | <u>46,739,097</u>         | <u>-</u>             | <u>259,876,500</u>    |
| <b>Fiduciary Net Position, End of Year</b>  | <u>\$ 36,709,653</u>     | <u>\$ 16,896,021</u>     | <u>\$ 24,958,419</u>      | <u>\$ -</u>          | <u>\$ 326,948,410</u> |
| <b>Financial Highlights For the Year</b>  |                          |                          |                           |                      |                       |
| Ratio of net investment income to<br>average net position*                            | 2.10%                    | -0.08%B                  | 2.22%                     |                      |                       |
| Ratio of expense to average net position **   | 0.25%                    | 0.25%B                   | 0.25%                     |                      |                       |
| Total return ***  | 11.51%                   | -0.40%                   | 13.19%                    |                      |                       |

\* 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.

B: Fund was opened during the year. Ratios are annualized. See Note 2.

**CollegeCounts 529 Fund**  
**Schedule of Investments (Age-Based Target Portfolios)**  
**September 30, 2016**

| Target Portfolios  | Portfolios         |                                 |                       |                       |                       |                       |
|--|--------------------|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | Age of Beneficiary | CollegeCounts Fixed Income Fund | CollegeCounts Fund 20 | CollegeCounts Fund 40 | CollegeCounts Fund 20 | CollegeCounts Fund 40 |
| <b>Age-Based Aggressive Portfolios</b>                   |                    |                                 | <i>19 and over</i>    | <i>17 - 18</i>        | <i>15 - 16</i>        | <i>13 - 14</i>        |
| <b>Age-Based Moderate Portfolios</b>                     |                    | <i>19 and over</i>              | <i>17 - 18</i>        | <i>15 - 16</i>        | <i>13 - 14</i>        | <i>11 - 12</i>        |
| <b>Age-Based Conservative Portfolios</b>                 |                    | <i>19 and over</i>              | <i>17 - 18</i>        | <i>15 - 16</i>        | <i>13 - 14</i>        | <i>11 - 12</i>        |
| Vanguard Prime Money Market Fund                         |                    | \$ 2,034,282                    | \$ 2,492,967          | \$ 1,729,522          | \$ -                  | \$ -                  |
| <b>Money Market Total</b>                                |                    | <u>2,034,282</u>                | <u>2,492,967</u>      | <u>1,729,522</u>      | <u>-</u>              | <u>-</u>              |
| Vanguard Short-Term Bond Index                           |                    | 813,713                         | 2,384,577             | 4,804,228             | 5,039,539             | 3,686,724             |
| Vanguard Total Bond Market Index Fund                    |                    | 609,184                         | 3,354,025             | 6,713,780             | 8,002,970             | 9,725,886             |
| Vanguard Inflation-Protected Securities Fund             |                    | 610,777                         | 1,518,677             | 2,115,560             | 2,980,297             | 2,371,940             |
| <b>Fixed Income Total</b>                                |                    | <u>2,033,674</u>                | <u>7,257,279</u>      | <u>13,633,568</u>     | <u>16,022,806</u>     | <u>15,784,550</u>     |
| Vanguard REIT Index Fund                                 |                    | -                               | 106,214               | 564,942               | 673,434               | 774,116               |
| <b>Real Estate Total</b>                                 |                    | <u>-</u>                        | <u>106,214</u>        | <u>564,942</u>        | <u>673,434</u>        | <u>774,116</u>        |
| Vanguard Total Stock Market Index Fund                   |                    | -                               | 757,465               | 2,493,858             | 4,345,180             | 6,572,030             |
| <b>Domestic Equity Total</b>                             |                    | <u>-</u>                        | <u>757,465</u>        | <u>2,493,858</u>      | <u>4,345,180</u>      | <u>6,572,030</u>      |
| Vanguard Total International Stock Index Fund            |                    | -                               | 215,398               | 763,718               | 1,820,925             | 3,139,670             |
| <b>International Equity Total</b>                        |                    | <u>-</u>                        | <u>215,398</u>        | <u>763,718</u>        | <u>1,820,925</u>      | <u>3,139,670</u>      |
| <b>Fair Value of Investments, End of Year</b>            |                    | <u>\$ 4,067,956</u>             | <u>\$ 10,829,323</u>  | <u>\$ 19,185,608</u>  | <u>\$ 22,862,345</u>  | <u>\$ 26,270,366</u>  |
| <b>Fair Value of Investments, End of Year</b>            |                    | \$ 4,067,956                    | \$ 10,829,323         | \$ 19,185,608         | \$ 22,862,345         | \$ 26,270,366         |
| <b>Plus Cash and Accrued Investment Income</b>           |                    | 37,073                          | 49,167                | 34,470                | 71,222                | 44,740                |
| <b>Less Payables and Accrued Expenses</b>                |                    | (2,520)                         | (3,184)               | (8,007)               | (8,782)               | (67,434)              |
| <b>Fiduciary Net Position Held in Trust, End of Year</b> |                    | <u>\$ 4,102,509</u>             | <u>\$ 10,875,306</u>  | <u>\$ 19,212,071</u>  | <u>\$ 22,924,785</u>  | <u>\$ 26,247,672</u>  |

**CollegeCounts 529 Fund**  
**Schedule of Investments (Age-Based Target Portfolios)**  
**September 30, 2016**

| Target Portfolios  | Portfolios               |                          |                          |                           |                           |
|--|--------------------------|--------------------------|--------------------------|---------------------------|---------------------------|
|  | CollegeCounts<br>Fund 60 | CollegeCounts<br>Fund 80 | CollegeCounts<br>Fund 80 | CollegeCounts<br>Fund 100 | CollegeCounts<br>Fund 100 |
| <b>Age-Based Aggressive Portfolios</b>                   | <i>11 - 12</i>           | <i>9 - 10</i>            | <i>6 - 8</i>             | <i>3 - 5</i>              | <i>newborn to 2</i>       |
| <b>Age-Based Moderate Portfolios</b>                     | <i>9 - 10</i>            | <i>6 - 8</i>             | <i>3 - 5</i>             | <i>newborn to 2</i>       |                           |
| <b>Age-Based Conservative Portfolios</b>                 | <i>6 - 8</i>             | <i>3 - 5</i>             | <i>newborn to 2</i>      |                           |                           |
| Vanguard Prime Money Market Fund                         | \$ -                     | \$ -                     | \$ -                     | \$ -                      | \$ -                      |
| <b>Money Market Total</b>                                | -                        | -                        | -                        | -                         | -                         |
| Vanguard Short-Term Bond Index                           | 2,725,030                | 1,610,290                | 1,473,124                | 339,111                   | -                         |
| Vanguard Total Bond Market Index Fund                    | 8,160,306                | 5,357,923                | 4,778,996                | 1,015,491                 | -                         |
| Vanguard Inflation-Protected Securities Fund             | 1,212,096                | 1,074,385                | 1,105,729                | 339,381                   | -                         |
| <b>Fixed Income Total</b>                                | 12,097,432               | 8,042,598                | 7,357,849                | 1,693,983                 | -                         |
| Vanguard REIT Index Fund                                 | 1,483,436                | 1,841,098                | 1,804,223                | 996,990                   | 1,967,088                 |
| <b>Real Estate Total</b>                                 | 1,483,436                | 1,841,098                | 1,804,223                | 996,990                   | 1,967,088                 |
| Vanguard Total Stock Market Index Fund                   | 10,881,409               | 10,717,994               | 18,014,951               | 9,141,290                 | 14,029,258                |
| <b>Domestic Equity Total</b>                             | 10,881,409               | 10,717,994               | 18,014,951               | 9,141,290                 | 14,029,258                |
| Vanguard Total International Stock Index Fund            | 5,715,628                | 6,133,805                | 9,513,467                | 5,054,564                 | 8,975,990                 |
| <b>International Equity Total</b>                        | 5,715,628                | 6,133,805                | 9,513,467                | 5,054,564                 | 8,975,990                 |
| <b>Fair Value of Investments, End of Year</b>            | <u>\$ 30,177,905</u>     | <u>\$ 26,735,495</u>     | <u>\$ 36,690,490</u>     | <u>\$ 16,886,827</u>      | <u>\$ 24,972,336</u>      |
| <b>Fair Value of Investments, End of Year</b>            | \$ 30,177,905            | \$ 26,735,495            | \$ 36,690,490            | \$ 16,886,827             | \$ 24,972,336             |
| <b>Plus Cash and Accrued Investment Income</b>           | 166,447                  | 162,625                  | 53,792                   | 23,487                    | 13,565                    |
| <b>Less Payables and Accrued Expenses</b>                | (10,460)                 | (37,408)                 | (34,629)                 | (14,293)                  | (27,482)                  |
| <b>Fiduciary Net Position Held in Trust, End of Year</b> | <u>\$ 30,333,892</u>     | <u>\$ 26,860,712</u>     | <u>\$ 36,709,653</u>     | <u>\$ 16,896,021</u>      | <u>\$ 24,958,419</u>      |

**CollegeCounts 529 Fund**  
**Combining Schedule of Fiduciary Net Position**  
**September 30, 2016**

|   | <b>CollegeCounts<br/>529 Fund</b> | <b>CollegeCounts<br/>529 Fund<br/>Advisor Plan</b> | <b>Eliminations</b> | <b>Combined Totals</b>  |
|---|-----------------------------------|--|---------------------|-------------------------|
| <b>Fiduciary Assets</b>                     |                                   |  |                     |                         |
| Investments, at fair value                  | \$ 326,228,088                    | \$ 1,054,596,771                                   | \$ -                | \$ 1,380,824,859        |
| Cash  | 590,884                           | 324,706  | -                   | 915,590                 |
| Receivables for contributions               | 326,141                           | 1,838,435  | -                   | 2,164,576               |
| Accrued investment income                   | 142,906                           | 782,344  | -                   | 925,250                 |
|   | <u>327,288,019</u>                | <u>1,057,542,256</u>                               | <u>-</u>            | <u>1,384,830,275</u>    |
| <b>Liabilities</b>                          |                                   |  |                     |                         |
| Distributions payable to shareholders       | 775                               | 246  | -                   | 1,021                   |
| Withdrawals payable                         | 234,486                           | 1,789,664  | -                   | 2,024,150               |
| Accrued expenses                            | 104,348                           | 1,539,367  | -                   | 1,643,715               |
|   | <u>339,609</u>                    | <u>3,329,277</u>                                   | <u>-</u>            | <u>3,668,886</u>        |
| <b>Fiduciary Net Position Held in Trust</b> | <u>\$ 326,948,410</u>             | <u>\$ 1,054,212,979</u>                            | <u>\$ -</u>         | <u>\$ 1,381,161,389</u> |

**CollegeCounts 529 Fund**  
**Combining Schedule of Changes in Fiduciary Net Position**  
**For the Year Ended September 30, 2016**

|  | <b>CollegeCounts<br/>529 Fund</b> | <b>CollegeCounts<br/>529 Fund<br/>Advisor Plan</b> | <b>Eliminations</b> | <b>Combined Totals</b>  |
|--|-----------------------------------|--|---------------------|-------------------------|
| <b>Additions</b>   |                                   |  |                     |                         |
| Contributions  | \$ 60,307,013                     | \$ 112,276,689                                     | \$ (21,327,558)     | \$ 151,256,144          |
| Investment income  |                                   |  |                     |                         |
| Dividends and interest   | 6,567,117                         | 31,523,045   | -                   | 38,090,162              |
| Total additions  | <u>66,874,130</u>                 | <u>143,799,734</u>                                 | <u>(21,327,558)</u> | <u>189,346,306</u>      |
| <b>Deductions</b>  |                                   |  |                     |                         |
| Withdrawals  | 21,939,663                        | 105,866,696  | (21,327,558)        | 106,478,801             |
| Management fees  | 730,351                           | 7,705,369  | -                   | 8,435,720               |
| Total deductions   | <u>22,670,014</u>                 | <u>113,572,065</u>                                 | <u>(21,327,558)</u> | <u>114,914,521</u>      |
| <b>Net Realized Gain and Net Appreciation<br/>in Fair Value of Investments</b> | <u>22,867,794</u>                 | <u>55,610,723</u>                                  | <u>-</u>            | <u>78,478,517</u>       |
| <b>Net Increase</b>  | 67,071,910                        | 85,838,392   | -                   | 152,910,302             |
| <b>Fiduciary Net Position Held in Trust,<br/>Beginning of Year</b>             | <u>259,876,500</u>                | <u>968,374,587</u>                                 | <u>-</u>            | <u>1,228,251,087</u>    |
| <b>Fiduciary Net Position Held in Trust,<br/>End of Year</b>                   | <u>\$ 326,948,410</u>             | <u>\$ 1,054,212,979</u>                            | <u>\$ -</u>         | <u>\$ 1,381,161,389</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, 2016, 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 January 24, 2017.

***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  
January 24, 2017



## 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, 2016. Management is responsible for the Plan's compliance with 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, 2016.

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  
January 24, 2017