

# College **SAVE** Picture the Future

(A Private Purpose Trust Fund of the State of North Dakota)

**FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**  
**and**  
**SUPPLEMENTARY INFORMATION**  
**December 31, 2014**  
**(With Independent Auditor's Report Thereon)**

**Thomas &  
Thomas LLP**

Certified Public Accountants

# College SAVE

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## INDEPENDENT AUDITOR'S REPORT

Bank of North Dakota  
Ascensus Broker Dealer Services, Inc.

### Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position and statements of changes in fiduciary net position of **College SAVE** (the Plan), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements.

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

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

### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2014 and 2013, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The Plan is a private purpose trust fund of the state of North Dakota. As discussed in Note 1, these basic financial statements present only the activities and balances attributable to the Plan and do not purport to, and do not, present fairly the fiduciary net position or changes in fiduciary net position of the state of North Dakota as of and for the years ended December 31, 2014 and 2013.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, as it is considered 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information in management's discussion and analysis because the limited procedures we performed do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the Plan's basic financial statements. The schedules of fiduciary net position and changes in fiduciary net position by portfolio on pages 32 and 33 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 in these schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 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 the Plan's internal control over financial reporting and compliance.

*Thomas & Thomas LLP*

Certified Public Accountants

March 31, 2015  
Little Rock, Arkansas

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## **Management's Discussion and Analysis**

# College SAVE

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(A Private Purpose Trust Fund of the State of North Dakota)

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

This management's discussion and analysis is intended to provide readers an objective discussion of the financial statements of College SAVE (the Plan) as of December 31, 2014 and 2013, and for the years then ended. This discussion and analysis, which is supplementary information required by the Governmental Accounting Standards Board (GASB), is intended to provide a highly summarized overview of the Plan's assets, liabilities, fiduciary net position and changes in fiduciary net position and should be read in conjunction with the Plan's financial statements and notes thereto, which are included on pages 18 through 30. In addition, readers may also find useful the supplementary schedules on pages 32 and 33, which include information about the Plan's investment portfolios.

\* \* \* \* \*

College SAVE was established in September, 2000, to encourage the investment of funds to be used for qualified higher education expenses at eligible institutions, as authorized under North Dakota Century Code Title 6, Chapter 9, Section 38. Plan assets are held for the benefit of account owners and their designated beneficiaries in the College SAVE Trust (the Trust), for which the Bank of North Dakota (the Bank) serves as Trustee. The Plan is administered as a "qualified tuition program" in compliance with Section 529 of the Internal Revenue Code of 1986, as amended, and both the Plan and the Trust are exempt from federal taxation.

The Bank has established rules to administer, manage, promote and market the Plan, which are set forth in North Dakota Administrative Code Title 12.5, Article 2, Chapter 1. As allowed under these rules, the Bank may contract with third-party service providers to perform administrative duties related to the Plan and to manage the Plan's investments. In an agreement dated August 11, 2006, as amended (the Management Agreement), the Bank appointed Upromise Investments, Inc. (UII) to serve as Plan Manager, responsible for oversight of the daily operation of the Plan. In that same agreement, Upromise Investment Advisors, LLC (UIA) was appointed to serve as recordkeeping and servicing agent for the Plan until December 10, 2012, at which time these duties were transitioned to Upromise Investments Recordkeeping Services, LLC (UIR). UII, UIA and UIR (collectively, the "Upromise Entities") were subsidiaries of SLM Corporation. On December 2, 2013, Ascensus, Inc. (a privately held company), acquired the Upromise Entities from SLM Corporation and, effective May 14, 2014, the names of the Upromise Entities have changed as follows:

<u>Prior Entity Name</u>	<u>New Entity Name</u>
Upromise Investments, Inc.	Ascensus Broker Dealer Services, Inc.
Upromise Investment Advisors, LLC	Ascensus Investment Advisors, LLC
Upromise Investments Recordkeeping Services, LLC	Ascensus College Savings Recordkeeping Services, LLC



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### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

At June 30, 2014, Ascensus Broker Dealer Services, Inc. (ABD) is the Program Manager and Ascensus College Savings Recordkeeping Services, LLC (ACSR) is the recordkeeping and servicing agent. Collectively, ABD and ACSR are referred to as "Ascensus College Savings" (ACS).

There are no material changes to the services provided to the Plan as a result of the acquisition or the name changes.

The Vanguard Group, Inc. (Vanguard) provides investment advisory, fund accounting and related administrative services.

#### Financial Highlights

The following highlight some of the Plan's key financial results:

- At December 31, 2014, 2013 and 2012, the Plan's fiduciary net position totaled \$384.7 million, \$360.7 million and \$329.6 million, respectively. Fiduciary net position increased \$24.0 million, or 6.7%, from December 31, 2013, to December 31, 2014, compared to an increase of \$31.1 million, or 9.4%, from December 31, 2012, to December 31, 2013.
- Contributions exceeded withdrawals by \$3.2 million and approximately \$439,000 during 2014 and 2013, respectively, but withdrawals exceeded contributions by \$4.0 million during 2012.
- Contributions for the year ended December 31, 2014, 2013 and 2012 totaled \$39.0 million \$35.2 million and \$30.1 million, respectively. Contributions increased \$3.8 million, or 10.8%, from December 31, 2013, to December 31, 2014, and increased \$5.1 million, or 17.0%, from December 31, 2012, to December 31, 2013.
- Withdrawals for the year ended December 31, 2014, 2013 and 2012 totaled \$35.8 million, \$34.8 million and \$34.1 million, respectively. Withdrawals increased \$1.0 million, or 3.0%, from December 31, 2013, to December 31, 2014, and increased approximately \$643,000, or 1.9%, from December 31, 2012, to December 31, 2013.
- Administrative fees totaled \$2.8 million, \$2.6 million and \$2.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. These fees, which are based on the Plan's fiduciary net position, are paid to the Bank, ACS and Vanguard for performing oversight, administrative and investment duties.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

#### Financial Highlights (*Continued*)

- For the year ended December 31, 2014, the Plan experienced net investment income of \$23.7 million, resulting from net appreciation in the fair value of investments of \$15.6 million and dividends totaling \$8.1 million. For the year ended December 31, 2013, the Plan experienced net investment income of \$33.3 million, resulting from net appreciation of the fair value of its investments totaling \$26.2 million and dividends totaling \$7.1 million. For the year ended December 31, 2012, the Plan experienced net investment income of \$28.7 million, resulting from net appreciation of the fair value of its investments totaling \$20.6 million and dividends totaling \$8.1 million.
- The number of active accounts has increased from 20,941 at December 31, 2012, to 23,577 at December 31, 2013, to 26,783 at December 31, 2014. The average active account balance decreased from approximately \$15,700 at December 31, 2012, to approximately \$15,300 at December 31, 2013, to approximately \$14,400 at December 31, 2014.
- The College SAVE 529 Matching Grant Program awarded \$515,041, \$448,970 and \$241,370 in matching grants in 2014, 2013 and 2012, respectively, to qualifying account owners.
- The Children FIRST Grant Program awarded \$83,300, \$67,200 and \$56,800 in matching grants in 2014, 2013 and 2012, respectively, to qualifying account owners.

#### Overview of the Financial Statements

The Plan's basic financial statements comprise the statement of fiduciary net position, the statement of changes in fiduciary net position and the related notes to the financial statements. The statement of fiduciary net position presents information on the Plan's assets and liabilities, with the difference between them representing net position held in trust for account owners and their beneficiaries. The statement of changes in fiduciary net position shows how the Plan's fiduciary net position changed during the year. The notes to the financial statements provide additional explanatory information about the amounts presented in the financial statements. It is essential that readers of this report consider the information in the notes to obtain a full understanding of the Plan's financial statements.

The Plan is included in the state of North Dakota's financial statements as a "private purpose trust fund." A private purpose trust fund is a type of fiduciary fund that is used to report assets held by a government in a trust or agency capacity for others and cannot be used to support the government's own programs.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

#### Overview of the Financial Statements (*Continued*)

The Plan's financial statements are prepared in accordance with accounting and financial reporting standards for governmental entities set forth by the GASB. As required under generally accepted accounting principles applicable to fiduciary fund types, the Plan's financial statements are prepared using the accrual basis of accounting. Investments are reported at fair value, and all investment transactions are recorded on a trade-date basis, regardless of when the transaction settles. Changes in fair value, along with realized gains (losses), are reported as net appreciation (depreciation) on the statement of changes in fiduciary net position. Dividends and capital gain distributions are recorded on the ex-dividend date rather than when they are received. Contributions to the Plan are recognized when they are received, provided enrollment in the Plan has been successfully completed, and withdrawals are recognized when the withdrawal request has been received and approved for payment. Administrative fees are recognized in the period when the related services are provided, regardless of when cash is paid.

#### Financial Analysis

##### Fiduciary Net Position

The following condensed statements of fiduciary net position provide a "snapshot" of the overall financial position of the Plan:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Total assets	\$ 385,963,633	\$ 361,999,392	\$ 330,242,590
Total liabilities	<u>1,280,508</u>	<u>1,331,787</u>	<u>680,742</u>
Net position held in trust for account owners and beneficiaries	<u>\$ 384,683,125</u>	<u>\$ 360,667,605</u>	<u>\$ 329,561,848</u>

The reported balance of net position held in trust for account owners and their beneficiaries represents the cumulative total of contributions from account owners since the Plan's inception, increased (decreased) by net investment income (loss), and decreased by withdrawals and administrative fees.

Investments, which totaled \$384.5 million, \$360.5 million, and \$329.6 million at December 31, 2014, 2013 and 2012, respectively, represent over 99% of the Plan's total assets. Account owners are able to direct investment of their contributions into one or more portfolio options, each of which is invested in one or more Vanguard mutual funds (the Underlying Funds) in accordance with a predetermined asset allocation strategy approved by the Bank. At December 31, 2014, 2013 and 2012, the Plan's Underlying Funds are as follows:

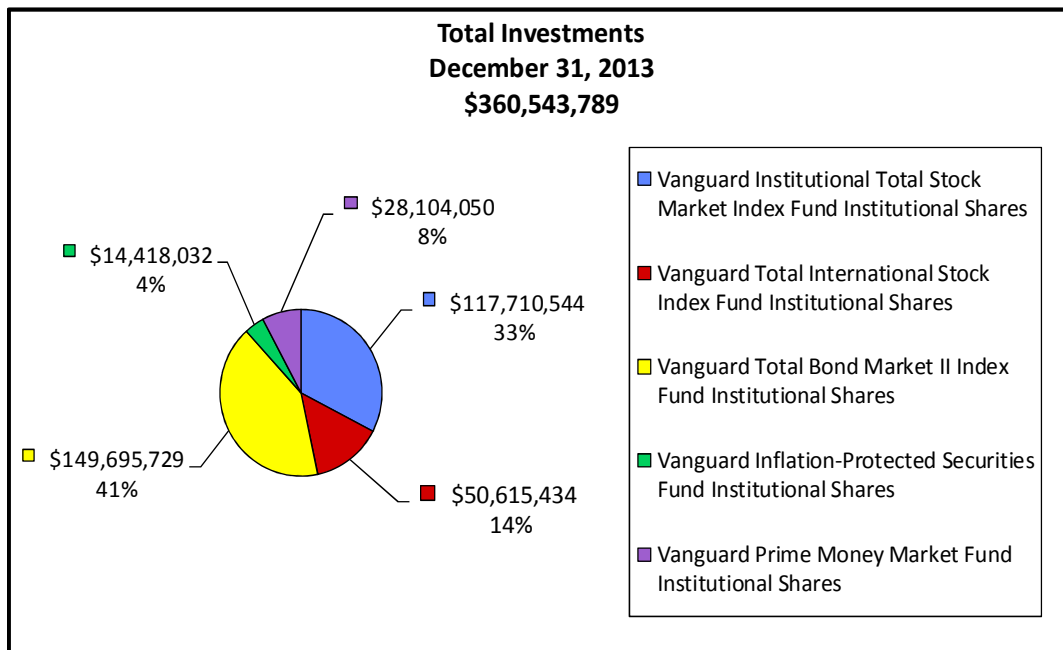
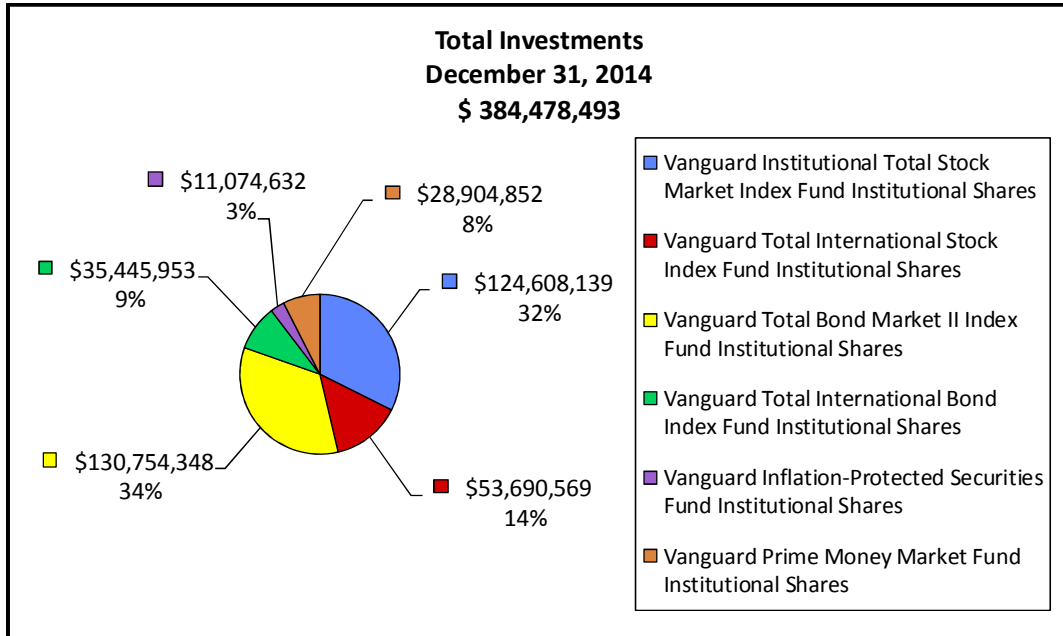
# College SAVE Picture the Future

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## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

### Financial Analysis (Continued)

#### Fiduciary Net Position (Continued)



**Note:** Percentages are stated as a percent of total fair value.

# College SAVE

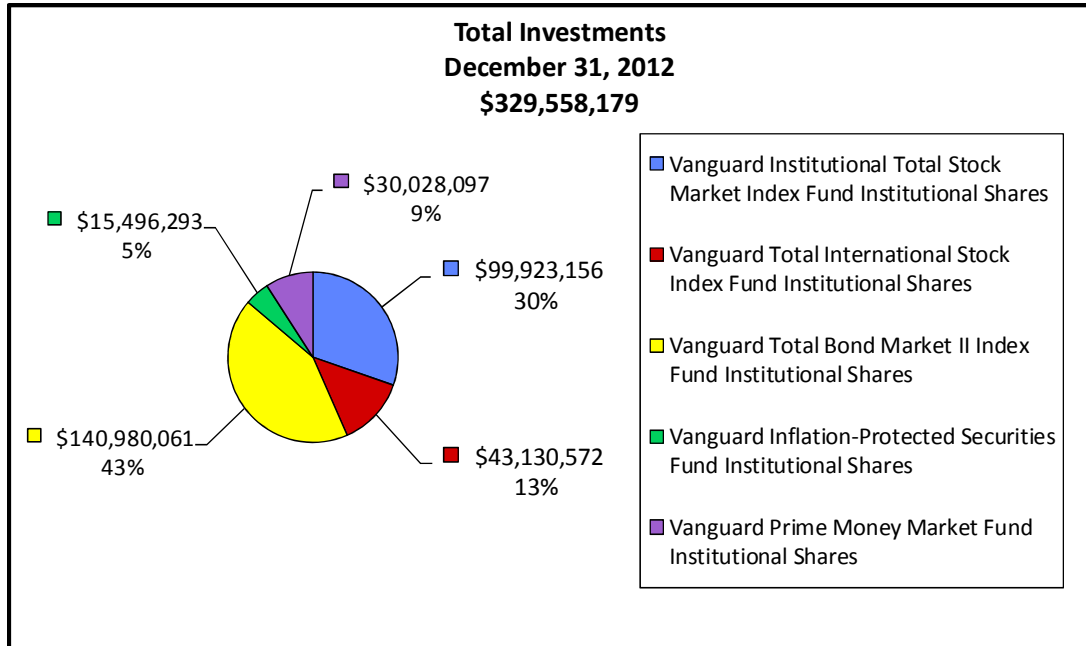
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### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

#### Financial Analysis (Continued)

#### Fiduciary Net Position (Continued)



**Note:** Percentages are stated as a percent of total fair value.

Other assets, which totaled approximately \$1.5 million at December 31, 2014, \$1.5 million at December 31, 2013 and \$684,000 at December 31, 2012, comprise amounts to be invested or distributed on behalf of account owners and their beneficiaries and receivables for proceeds from Underlying Fund sales transactions. The Plan's liabilities, which totaled approximately \$1.3 million at December 31, 2014, \$1.3 million at December 31, 2013, and \$681,000 at December 31, 2012, comprise accrued administrative fees, payables for withdrawals approved but not yet paid and payables for Underlying Fund purchase transactions.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

#### Financial Analysis (Continued)

##### Changes in Fiduciary Net Position

The following condensed statements of changes in fiduciary net position summarize how the Plan's net position held in trust for account owners and their beneficiaries changed during the years presented:

	<u>Year Ended December 31, 2014</u>	<u>Year Ended December 31, 2013</u>	<u>Year Ended December 31, 2012</u>
Contributions	\$ 39,008,006	\$ 35,218,321	\$ 30,098,860
Net investment income	23,659,064	33,292,396	28,661,702
Withdrawals	(35,809,135)	(34,778,926)	(34,135,508)
Administrative fees	<u>(2,842,415)</u>	<u>(2,626,034)</u>	<u>(2,428,166)</u>
Net Increase	24,015,520	31,105,757	22,196,888
Net position held in trust for account owners and beneficiaries, beginning of year	<u>360,667,605</u>	<u>329,561,848</u>	<u>307,364,960</u>
Net position held in trust for account owners and beneficiaries, end of year	<u><u>\$ 384,683,125</u></u>	<u><u>\$ 360,667,605</u></u>	<u><u>\$ 329,561,848</u></u>

#### Investment Commentary

The following section provides brief descriptions of each of the Plan's investments. More complete information can be found in the Plan's Disclosure Statement and Participation Agreement document or in each Underlying Fund's prospectus and annual report.

The Vanguard Institutional Total Stock Market Index Fund Institutional Shares is passively managed, using index sampling. This fund invests primarily in large-, mid- and small-capitalization stocks diversified across growth and value investment styles and seeks to track the performance of the CRSP US Total Market Index. On October 2, 2012, Vanguard announced a change in the funds benchmark index from MSCI® US Broad Market Index to the CRSP US Total Market Index. The benchmark change was effective on June 3, 2013. The fund's investment objective has not changed. The fund experienced returns of 12.60%, 33.64% and 16.47% during the years ended December 31, 2014, 2013 and 2012, respectively. The share price of this fund increased from \$32.27 at December 31, 2012, to \$42.32 at December 31, 2013, and then further increased to \$46.78 at December 31, 2014.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

#### Investment Commentary *(Continued)*

The Vanguard Total International Stock Index Fund Institutional Share Class is passively managed and seeks to track the performance of the FTSE Global All Cap ex US Index. This fund provides broad exposure across developed and emerging non-U.S. equity markets. On October 2, 2012, Vanguard announced a change in the fund's benchmark index from the MSCI® All Country World Index ex USA Investable Market Index to the FTSE Global All CAP ex US Index. This benchmark change was effective on June 3, 2013. The fund's investment objective has not changed. During the year ended December 31, 2014, the fund experienced negative returns of 4.15%, compared to positive returns of 15.15% and 18.28% during the years ended December 31, 2013 and 2012, respectively. The share price of this fund increased from \$100.18 at December 31, 2012, to \$112.01 at December 31, 2013, and then decreased to \$103.98 at December 31, 2014.

The Vanguard Total Bond Market II Index Fund Institutional Share Class is passively managed, using index sampling and seeks to track the performance of the Barclays Capital U.S. Aggregate Float Adjusted Index. This fund provides broadly diversified exposure to the entire U.S. investment grade bond market and is intermediate in duration. During the year ended December 31, 2013, the fund experienced negative returns of 2.20%, compared to positive returns of 5.99% and 3.99% during the years ended December 31, 2014 and 2012, respectively. The share price of this fund decreased from \$10.97 at December 31, 2012, to \$10.49 at December 31, 2013, but then increased to \$10.84 at December 31, 2014.

Effective February 18, 2014, four portfolio options began to include the Vanguard Total International Bond Index Fund Institutional Share Class in their asset holdings. This fund is passively managed, using index sampling and seeks to track the performance of the Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged). This fund provides broad exposure to non-U.S. investment grade bonds, primarily bonds issued by developed countries, but also some from emerging markets countries. During the year ended December 31, 2014, the fund experienced returns of 8.91%. The share price of this fund increased from \$30.17 at February 18, 2014, to \$31.84 at December 31, 2014.

The Vanguard Inflation-Protected Securities Fund Institutional Share Class is actively managed and provides investors broad access to Treasury inflation-protected securities, including short-, intermediate- and long-term bonds. This fund is designed to protect investors from the eroding effects of inflation by investing in securities that seek to provide a "real" return. During the year ended December 31, 2013, the fund experienced negative returns of 8.83%, compared to positive returns of 4.07% and 6.87% during the years ended December 31, 2014 and 2012, respectively. The share price of this fund decreased from \$11.62 at December 31, 2012, to \$10.37 at December 31, 2013, but then increased to \$10.54 at December 31, 2014.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

#### Investment Commentary *(Continued)*

The Vanguard Prime Money Market Fund Institutional Share Class invests in high credit-quality, short-term money market instruments and seeks to maintain a constant \$1 net asset value. The fund experienced returns of 0.05%, 0.06% and 0.11% during the years ended December 31, 2014, 2013 and 2012, respectively.

#### Recent Developments

##### Significant Plan Changes

Effective February 18, 2014, the Vanguard Total International Bond Index Fund became an additional Underlying Fund in the Growth Portfolio, the Moderate Growth Portfolio, the Conservative Growth Portfolio and the Income Portfolio.

Effective January 30, 2015, the Vanguard Short-Term Inflation-Protected Securities Index Fund became an additional Underlying Fund in the Income Portfolio, replacing the Vanguard Inflation-Protected Securities Fund.

##### National Legislative Highlights

The *Achieving a Better Life Experience Act* (the ABLE Act) was passed by both the House of Representatives and the Senate in December 2014 and was signed into law on December 19, 2014. The ABLE Act amends the Internal Revenue Code of 1986 (the Code), as amended, to allow state agencies to establish tax-exempt "ABLE programs," under which "ABLE accounts" may be established and maintained to pay certain qualified expenses of individuals with disabilities. These ABLE programs and accounts will be treated in the same manner as qualified tuition programs for income tax purposes.

House Resolution (HR) 529 was introduced on January 26, 2015 and, if enacted into law, would amend Section 529 of the Code as follows:

- Computer technology and equipment expenses would be considered qualified educational expenses, provided that such technology and equipment be used primarily by the plan beneficiary.
- Aggregation for purposes of calculating the earnings portion of any distribution would no longer be required.
- A recontribution to a 529 plan of amounts refunded to a student who withdraws from an educational institution would be permitted if the recontribution is made not later than 60 days after the date of such refund and does not exceed the refunded amount.

This bill was referred to the House Committee on Ways and Means on January 26, 2015, was passed by the House of Representatives on February 25, 2015 and was received in the Senate on February 26, 2015.



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### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2014 and 2013

#### **Requests for Information**

This financial report is designed to provide a general overview of the Plan's financial status and changes in financial status. Additional information can be found at [www.collegesave4u.com](http://www.collegesave4u.com). If you have any questions about the information provided, please call the Plan's customer service representatives at 1-866-728-3529.

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## **Financial Statements**

# College SAVE

## Picture the Future

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### STATEMENTS OF FIDUCIARY NET POSITION December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Investments	\$ 384,478,493	\$ 360,543,789
Cash and cash equivalents	1,379,390	1,063,594
Receivables for investments sold	<u>105,750</u>	<u>392,009</u>
<b>Total Assets</b>	<u>385,963,633</u>	<u>361,999,392</u>
<b>LIABILITIES</b>		
Payables for investments purchased	498,326	496,854
Withdrawals payable	535,613	604,229
Accrued administrative fees	<u>246,569</u>	<u>230,704</u>
<b>Total Liabilities</b>	<u>1,280,508</u>	<u>1,331,787</u>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES</b>	<u>\$ 384,683,125</u>	<u>\$ 360,667,605</u>

See accompanying notes to financial statements.

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### STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ADDITIONS</b>		
Contributions	\$ 39,008,006	\$ 35,218,321
Investment income:		
Dividends	8,066,367	7,056,095
Net appreciation in fair value of investments	15,592,697	26,236,301
Net investment income	23,659,064	33,292,396
<b>Total Additions</b>	<u>62,667,070</u>	<u>68,510,717</u>
<b>DEDUCTIONS</b>		
Withdrawals	35,809,135	34,778,926
Administrative fees	2,842,415	2,626,034
<b>Total Deductions</b>	<u>38,651,550</u>	<u>37,404,960</u>
<b>NET INCREASE</b>	24,015,520	31,105,757
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR</b>	<u>360,667,605</u>	<u>329,561,848</u>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR</b>	<u>\$ 384,683,125</u>	<u>\$ 360,667,605</u>

See accompanying notes to financial statements.

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# College SAVE

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### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

#### **NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS**

The following provides a brief description of College SAVE (the Plan). For more information and disclosures about the Plan, refer to the Plan Disclosure Statement and Participation Agreement document available on the Plan's website ([www.collegesave4u.com](http://www.collegesave4u.com)) or call 1-866-728-3529.

#### **(a) General**

The Plan was created in September, 2000, pursuant to North Dakota Century Code Title 6, Chapter 9, Section 38 to enable residents of North Dakota (and other states) to save on a tax-favored basis for qualified higher education expenses. The Plan is 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 thereunder.

The College SAVE Trust (the Trust) was created to hold the assets of the Plan, thereby ensuring that the assets of the Plan can only be used for the benefit of account owners and their designated beneficiaries and cannot be used by the state of North Dakota to finance its operations. Bank of North Dakota (an enterprise fund of the state of North Dakota) is the designated Trustee.

The Plan is a fiduciary fund of the state of North Dakota and is included in the state of North Dakota's financial statements as a private purpose trust fund. Fiduciary funds are used to report assets that are held in a trust or agency capacity for others and therefore cannot be used to support a government's own programs. A private purpose trust fund is a type of fiduciary fund used to report certain trust arrangements under which principal and income benefit individuals, private organizations or other governments.

#### **(b) Administration**

As Trustee, Bank of North Dakota (the Bank) is the authority responsible for oversight and overall administration of the Plan. Rules governing the operation of the Plan, as adopted by the Bank, are set forth in the North Dakota Administrative Code Title 12.5, Article 2, Chapter 1 (the Administrative Code). The Administrative Code allows the Bank to enter into contracts with service providers, agents or third-party contractors to administer the Plan, provide investment advice for the Plan, provide accounting and recordkeeping services for the Plan, enroll participants, process account owner transactions and market the Plan.

In the Plan Management Agreement dated August 11, 2006, as amended (the Management Agreement), the Bank appointed Upromise Investments, Inc. (UII) as Plan Manager responsible for oversight of the daily operations of the Plan. In that same agreement, Upromise Investment Advisors, LLC (UIA) was appointed to serve as recordkeeping and servicing agent for the Plan until December 10, 2012, at which time these duties were transitioned to Upromise Investments Recordkeeping Services, LLC (UIR). UII, UIA and UIR (collectively, the "Upromise Entities") were subsidiaries of SLM

# College SAVE

## Picture the Future

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### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

#### **NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS (Continued)**

##### **(b) Administration (Continued)**

Corporation. On December 2, 2013, Ascensus, Inc. (a privately held company), acquired the Upromise Entities from SLM Corporation and, effective May 14, 2014, the names of the Upromise Entities have changed as follows:

<u>Prior Entity Name</u>	<u>New Entity Name</u>
Upromise Investments, Inc.	Ascensus Broker Dealer Services, Inc.
Upromise Investment Advisors, LLC	Ascensus Investment Advisors, LLC
Upromise Investments Recordkeeping Services, LLC	Ascensus College Savings Recordkeeping Services, LLC

At June 30, 2014, Ascensus Broker Dealer Services, Inc. (ABD) is the Program Manager and Ascensus College Savings Recordkeeping Services, LLC (ACSR) is the Recordkeeping and Servicing Agent. Collectively, ABD and ACSR are referred to as "Ascensus College Savings" (ACS).

There are no material changes to the services provided to the Plan as a result of the acquisition or the name changes.

The Vanguard Group, Inc. (Vanguard) provides investment advisory, fund accounting and related administrative services, pursuant to the terms of the North Dakota 529 Program Operational Agreement, as amended (the Operational Agreement).

The Bank of New York Mellon Corporation (BNY Mellon) is the custody agent for the Plan, responsible for maintaining a custody account to provide for the safekeeping and recordkeeping of certain assets invested in the Plan.

#### **NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Basis of Accounting**

In accordance with accounting principles generally accepted in the United States of America applicable to fiduciary fund types prescribed by the Governmental Accounting Standards Board (GASB), the Plan's financial statements are prepared using the flow of economic resources measurement focus and accrual basis of accounting.

##### **(b) 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 of 1986, as amended, and any regulations or other guidance issued thereunder. As such, the Plan is exempt from federal and state income tax.



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### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

#### **NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(c) Estimates**

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

##### **(d) Investments**

The Plan's investments consist exclusively of Vanguard mutual funds (the Underlying Funds). The Underlying Funds are reported at fair value, determined by Vanguard based on the net asset value per share of each mutual fund as of the close of the New York Stock Exchange (NYSE) on the reporting date. Net realized and unrealized gains (losses) are reported as "net appreciation (depreciation) in fair value of investments" on the statements of changes in fiduciary net position. Purchases and sales of shares of the Underlying Funds are recorded on a trade-date basis. Dividends and capital gain distributions are recorded on the ex-dividend date and are automatically reinvested in additional shares of the respective mutual fund.

##### **(e) Cash and Cash Equivalents**

Cash and cash equivalents generally include contributions received from account owners that have not yet been invested in Underlying Funds and/or redemption proceeds from Underlying Funds for withdrawals that have not yet been distributed in accordance with account owners' instructions. Contribution and withdrawal transactions are processed through a demand deposit account maintained at BNY Mellon in the Plan's name. The bank balances of this account at December 31, 2014 and 2013, are \$1,650,216 and \$1,639,443, respectively. Balances in this account are insured by the Federal Deposit Insurance Corporation (FDIC), along with any other accounts maintained at BNY Mellon under the same taxpayer identification number, in the aggregate, up to \$250,000. Amounts in excess of FDIC insurance limits are not collateralized or covered by supplementary insurance.

Cash and cash equivalents also include the Plan's equity position in a pooled account maintained by Vanguard to facilitate the processing of investment buy and sell transactions on behalf of their 529 plan clients. The Plan's equity position in the pooled account at December 31, 2014 and 2013, is \$392,576 and \$104,843, respectively.

##### **(f) Contributions**

Individuals or entities meeting eligibility requirements that have properly executed a participation agreement with the Plan may establish an account to which cash contributions may be made, subject to certain minimum contribution requirements and limitations on the aggregate amount of contributions that may be made. Contributions received by ACS prior to the close of the NYSE are recorded as increases in fiduciary net position on the date they are received, provided that all related documentation is found to be in good order and approved by ACS.

# College SAVE

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### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

#### **NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(f) Contributions (Continued)**

Account owners may elect to invest their contributions in one or more portfolio options offered by the Plan. At December 31, 2014 and 2013, there were six (6) Individual Portfolio Options and three (3) Age-Based Options from which to choose. The Individual Portfolio Options are structured for various time horizons and levels of risk tolerance and are designed to allow account owners flexibility in managing their asset allocations. The Age-Based Options, which invest in a series of Individual Portfolio Options, allow account owners to choose a predetermined investment strategy based on their risk tolerance and the beneficiary's age. Over time, as the beneficiary ages, assets are automatically reallocated to more conservative portfolios.

The Trustee allows eligible North Dakota residents who meet certain income requirements and open a Plan account on or after July 1, 2007, to be considered for a matching grant award under the College SAVE 529 Matching Grant Program. Upon award, a separate matching grant account is opened by the Bank on behalf of the account owner and designated beneficiary. The Bank retains ownership of the assets in the matching grant account until the account owner submits a request in good order for a qualified withdrawal to an eligible educational institution. Matching grant awards totaling \$515,041 and \$448,970 for the years ended December 31, 2014 and 2013, respectively, are included in contributions on the statements of changes in fiduciary net position.

During the year ended December 31, 2011, the Bank approved the implementation of the Children FIRST Grant Program, a program that allows North Dakota newborns 12 months old or younger to be considered for a one-time grant in the amount of \$100. To be eligible to receive this grant, interested persons must complete and return a Children FIRST Enrollment Form during the time the beneficiary is twelve months or younger. The beneficiary must be a North Dakota resident. In addition, a Plan account must be established for the beneficiary, and \$100 must be contributed to that account prior to the beneficiary's fourth birthday. Children FIRST matching grant awards totaling \$83,300 and \$67,200 for the years ended December 31, 2014 and 2013, respectively, are included in contributions on the statements of changes in fiduciary net position.

In exchange for contributions to the Plan, account owners receive full and/or fractional interests, or units, issued by the Trust. These units are municipal fund securities. Although money contributed to the Plan is invested in portfolio options that hold mutual funds, the units themselves are not direct investments in the mutual funds. These units are not insured by the FDIC or the state of North Dakota, nor have they been registered with the Securities and Exchange Commission or any state commission. In addition, although account owners can select the portfolio options in which their contributions are invested, they cannot direct the selection or allocation of the Underlying Funds composing each portfolio option.

# College SAVE

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(A Private Purpose Trust Fund of the State of North Dakota)

### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

#### **NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(g) Withdrawals**

Account owners may request withdrawals for qualified or non-qualified expenses. It is the responsibility of the account owner to determine whether or not the withdrawal is for qualified higher educational expenses and to calculate the applicable amount of federal or state tax or penalties for non-qualified withdrawals, if any. Withdrawals are recorded as deductions from fiduciary net position on the date the withdrawal request is found to be in good order and approved by ACS.

Withdrawals presented on the statements of changes in fiduciary net position include annual account maintenance fees, which are \$20 for each account and are assessed annually during the anniversary month of the account opening. This fee is not charged to Matching Grant or Children FIRST accounts nor to those accounts for which the account owner or the beneficiary is a North Dakota resident. In addition, each account established prior to February 28, 2002, where either the account owner or the beneficiary was a resident of South Dakota at the time of account opening, is not subject to this fee. Withdrawals also include service fees for other transactions, such as returned checks, overnight delivery charges, outgoing wire transfers and requests for historical statements. Annual account maintenance fees and service fees totaled approximately \$231,500 and \$243,200 for the years ended December 31, 2014 and 2013, respectively, and are paid to ACS.

##### **(h) Exchanges and Transfers**

As explained in Note 2(f), for each of the Age-Based Options, account balances will automatically be exchanged from one portfolio option to another more conservative portfolio option as the beneficiary ages. In addition, subject to certain limitations and restrictions, account owners may generally direct that their account balances be reinvested in one or more different portfolio option once per calendar year. Transfers of funds between portfolio options are referred to as "exchanges." Under certain conditions, account assets may also be transferred from one beneficiary to another or from one account owner to another. These transactions are referred to as "transfers." The amounts of contributions and withdrawals reported on the statements of changes in fiduciary net position do not include exchanges or transfers, as these have no impact on the overall financial position of the Plan.

##### **(i) Unit Valuation**

As explained in Note 2(f), each account owner's full and/or fractional interest in a portfolio option is evidenced by a unit. The net asset value of a unit is calculated daily based on the fair value of the Underlying Funds, adjusted for the effects of such transactions as accrued administrative fees and investment income that has not been reinvested. The value of any individual account is determined by multiplying the number of units in a portfolio option attributable to that account owner by the net asset value per unit of that portfolio option.

# College SAVE

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### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

#### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (j) Recently Issued Accounting Standards

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, which will become effective for the Plan on January 1, 2016. Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements, with the overarching goal of enhancing comparability of governmental financial statements and related note disclosures. This statement, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, provides guidance for determining a fair value measurement for financial reporting purposes and specifies required disclosures, including additional disclosures relevant to investments in certain entities that calculate net asset value per share (or its equivalent). While management of the Plan has not determined the exact impact that adoption of GASB Statement No. 72 will have on the Plan's financial statements and related disclosures, it is assumed that additional, more detailed disclosures about the Plan's investments will be required.

#### NOTE 3: INVESTMENTS

At December 31, 2014 and 2013, the Plan's investments are as follows:

	2014		2013	
<b>Aggressive Growth Portfolio</b>				
Vanguard Institutional Total Stock Market Index Fund Institutional Shares	\$ 40,474,625	69.9%	\$ 36,399,170	69.9%
Vanguard Total International Stock Index Fund Institutional Shares	17,456,670	30.1%	15,702,612	30.1%
	57,931,295		52,101,782	
<b>Growth Portfolio</b>				
Vanguard Institutional Total Stock Market Index Fund Institutional Shares	31,610,306	52.3%	30,920,221	52.6%
Vanguard Total International Stock Index Fund Institutional Shares	13,628,502	22.5%	13,265,272	22.5%
Vanguard Total Bond Market II Index Fund Institutional Shares	12,191,173	20.2%	14,640,035	24.9%
Vanguard Total International Bond Index Fund Institutional Shares	3,047,322	5.0%	-	0.0%
	60,477,303		58,825,528	

(Continued)

# College SAVE

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### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

#### NOTE 3: INVESTMENTS (Continued)

	2014		2013	
<b>Moderate Growth Portfolio</b>				
Vanguard Institutional Total Stock Market Index Fund Institutional Shares	\$ 38,739,937	34.7%	\$ 37,398,303	35.5%
Vanguard Total International Stock Index Fund Institutional Shares	16,687,891	15.0%	16,065,293	15.2%
Vanguard Total Bond Market II Index Fund Institutional Shares	44,913,380	40.2%	51,908,710	49.3%
Vanguard Total International Bond Index Fund Institutional Shares	11,224,957	10.1%	-	0.0%
	111,566,165		105,372,306	
<b>Conservative Growth Portfolio</b>				
Vanguard Institutional Total Stock Market Index Fund Institutional Shares	13,783,271	17.3%	12,992,850	17.8%
Vanguard Total International Stock Index Fund Institutional Shares	5,917,506	7.4%	5,582,257	7.7%
Vanguard Total Bond Market II Index Fund Institutional Shares	47,880,452	60.2%	54,280,299	74.5%
Vanguard Total International Bond Index Fund Institutional Shares	11,973,561	15.1%	-	0.0%
	79,554,790		72,855,406	
<b>Income Portfolio</b>				
Vanguard Prime Money Market Fund Institutional Shares	15,321,891	25.0%	14,460,079	25.0%
Vanguard Inflation-Protected Securities Fund Institutional Shares	11,074,632	18.0%	14,418,032	25.0%
Vanguard Total Bond Market II Index Fund Institutional Shares	25,769,343	42.0%	28,866,685	50.0%
Vanguard Total International Bond Index Fund Institutional Shares	9,200,113	15.0%	-	0.0%
	61,365,979		57,744,796	
<b>Money Market Portfolio</b>				
Vanguard Prime Money Market Fund Institutional Shares	13,582,961	100.0%	13,643,971	100.0%
<b>Total Investments</b>	\$ 384,478,493		\$ 360,543,789	

**Note:** Percentages in the table above are rounded to the nearest tenth of a percent.

# College SAVE

## Picture the Future

(A Private Purpose Trust Fund of the State of North Dakota)

### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

#### **NOTE 3: INVESTMENTS (Continued)**

The following table calculates the net change in the fair value of investments during the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Fair value of investments, end of year	\$ 384,478,493	\$ 360,543,789
Less cost of investments purchased and investment income reinvested during the year	(101,292,078)	(58,924,748)
Plus proceeds from investments sold during the year	92,950,071	54,175,439
Less fair value of investments, beginning of year	<u>(360,543,789)</u>	<u>(329,558,179)</u>
Net appreciation in fair value of investments	<u>\$ 15,592,697</u>	<u>\$ 26,236,301</u>

The mutual funds in which the Plan invests comprise 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 risk, and it is at least reasonably possible that changes in their fair values could occur in the near term, materially affecting 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*, GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Statement No. 59, *Financial Instruments Omnibus*, require that certain disclosures be made related to the Plan's investment policy and its exposure to credit risk, interest rate risk and foreign currency risk, which are included in the paragraphs that follow.

#### **(a) Investment Policy**

The Underlying Funds in which the Plan's assets are invested and the allocation of the Underlying Funds within each portfolio option are specified in the Management Agreement and the Operational Agreement and may not be changed without approval of the Bank. There is no separate investment policy that specifically addresses credit risk, interest rate risk, concentrations of credit risk or foreign currency risk. However, the Bank, ACS and Vanguard believe that the portfolio options available to account owners are appropriately structured to allow account owners to manage these specific risk types, to the greatest extent possible, given the nature of the Underlying Funds.

# College SAVE

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### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

#### **NOTE 3: INVESTMENTS (Continued)**

##### **(b) Credit Risk**

The Vanguard Total Bond Market II Index Fund Institutional Shares, Vanguard Inflation-Protected Securities Fund Institutional Shares, Vanguard Total International Bond Index Fund Institutional Shares and Vanguard Prime Money Market Fund Institutional Shares include bonds issued by corporations, foreign government, the U.S. government, its agencies and instrumentalities. Although all of the bonds included in these Underlying Funds are of investment-grade quality (rated BBB or higher by Standard & Poor's or Baa or higher by Moody's Investors Service, Inc.), the Plan may be indirectly exposed to credit risk, which is the risk that a bond issuer will fail to pay interest and principal, when due, as a result of adverse market or economic conditions.

The Plan's mutual funds are not subject to classification by custodial credit risk, which is the risk the Plan will not recover the value of investments that are in the possession of an outside party.

Credit quality ratings for the mutual funds in which the Plan invests are not available since none of the Underlying Funds are rated by a nationally recognized statistical rating organization.

##### **(c) Interest Rate Risk**

The Vanguard Total Bond Market II Index Fund Institutional Shares, Vanguard Inflation-Protected Securities Fund Institutional Shares, Vanguard Total International Bond Index Fund Institutional Shares and Vanguard Prime Money Market Fund Institutional Shares invest primarily in short- and intermediate-term bonds and may be exposed to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely impact the fair value of an investment. Average maturity is the average length of time until fixed-income securities held by a fund reach maturity and will be repaid, taking into consideration the possibility that the issuer may call a bond before its maturity date. In general, the longer the average maturity, the more a fund's share price will fluctuate in response to changes in interest rates. Average duration is an estimate of how much the value of the bonds held by a fund will fluctuate in response to changes in interest rates. As of December 31, 2014, the average maturity and average duration of these mutual funds are as follows:

	<u>Average Maturity</u>	<u>Average Duration</u>
Vanguard Total Bond Market II Index Fund Institutional Shares	7.8 years	5.7 years
Vanguard Inflation-Protected Securities Fund Institutional Shares	8.6 years	7.9 years
Vanguard Total International Bond Index Fund Institutional Shares	8.8 years	7.2 years
Vanguard Prime Money Market Fund Institutional Shares	59 days	N/A

# College SAVE

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### NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

#### **NOTE 3: INVESTMENTS (Continued)**

##### **(d) Foreign Currency Risk**

The Vanguard Total International Stock Index Fund Institutional Shares invests in a diversified index of non-U.S. stocks representing the major developed and emerging equity markets, and the Vanguard Total Bond Index Fund Institutional Shares invests in diversified investment grade, fixed-income investments all issued in currencies other than the U.S. dollar. There are certain inherent risks involved when investing in international securities that are not present with investments in domestic securities, such as foreign currency exchange rate fluctuations, adverse political and economic developments, natural disasters and the possible prevention or delay of currency exchange due to foreign governmental laws or restrictions.

#### **NOTE 4: ADMINISTRATIVE FEES**

Administrative fees presented on the statements of changes in fiduciary net position include service fees that are paid to the Bank, ACS and Vanguard, as provided in the Management Agreement and the Operational Agreement. These fees are calculated based on the fiduciary net position of the Plan, accrued daily and paid monthly.

Vanguard also receives fees for management of the Underlying Funds. These fees are not included in administrative fees presented on the Plan's statements of changes in fiduciary net position since they reduce the amount of investment income available for distribution to the Plan and are not a direct expense paid from Plan assets.

The Bank, ACS and Vanguard have agreed to temporarily limit their respective service fees attributable to the Money Market Portfolio Option to maintain a zero or positive yield for that portfolio. This limit remains in effect as of the date of this report.

Administrative fees related to the years ended December 31, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
ACS	\$ 1,985,765	\$ 1,822,390
Vanguard	486,719	464,229
Bank	<u>369,931</u>	<u>339,415</u>
Total administrative fees	<u>\$ 2,842,415</u>	<u>\$ 2,626,034</u>



## **Supplementary Schedules**

# College SAVE

## Picture the Future

(A Private Purpose Trust Fund of the State of North Dakota)

### SCHEDULE OF FIDUCIARY NET POSITION BY PORTFOLIO December 31, 2014

	Aggressive Growth Portfolio	Growth Portfolio	Moderate Growth Portfolio	Conservative Growth Portfolio	Income Portfolio	Money Market Portfolio	Plan Total
<b>ASSETS</b>							
Investments	\$ 57,931,295	\$ 60,477,303	\$ 111,566,165	\$ 79,554,790	\$ 61,365,979	\$ 13,582,961	\$ 384,478,493
Cash and cash equivalents	262,660	431,448	328,440	142,345	206,702	7,795	1,379,390
Receivables for investments sold	-	-	-	-	94,159	11,591	105,750
<b>Total Assets</b>	<u>58,193,955</u>	<u>60,908,751</u>	<u>111,894,605</u>	<u>79,697,135</u>	<u>61,666,840</u>	<u>13,602,347</u>	<u>385,963,633</u>
<b>LIABILITIES</b>							
Payables for investments purchased	98,211	185,691	155,185	59,239	-	-	498,326
Withdrawals payable	13,680	673	222,517	25,123	243,358	30,262	535,613
Accrued administrative fees	38,457	39,957	73,972	53,118	40,458	607	246,569
<b>Total Liabilities</b>	<u>150,348</u>	<u>226,321</u>	<u>451,674</u>	<u>137,480</u>	<u>283,816</u>	<u>30,869</u>	<u>1,280,508</u>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES</b>							
	<u>\$ 58,043,607</u>	<u>\$ 60,682,430</u>	<u>\$ 111,442,931</u>	<u>\$ 79,559,655</u>	<u>\$ 61,383,024</u>	<u>\$ 13,571,478</u>	<u>\$ 384,683,125</u>
<b>UNITS OUTSTANDING <sup>(1)</sup></b>	<u>3,764,177</u>	<u>3,780,837</u>	<u>7,279,094</u>	<u>5,509,671</u>	<u>4,714,518</u>	<u>1,260,119</u>	
<b>NET ASSET VALUE PER UNIT <sup>(2)</sup></b>	<u>\$ 15.42</u>	<u>\$ 16.05</u>	<u>\$ 15.31</u>	<u>\$ 14.44</u>	<u>\$ 13.02</u>	<u>\$ 10.77</u>	

<sup>(1)</sup> Rounded to the nearest whole share

<sup>(2)</sup> Rounded to the nearest hundredth

See Independent Auditor's Report.

# College SAVE

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### SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY PORTFOLIO December 31, 2014

	Aggressive Growth Portfolio	Growth Portfolio	Moderate Growth Portfolio	Conservative Growth Portfolio	Income Portfolio	Money Market Portfolio	Plan Total
<b>ADDITIONS</b>							
Contributions	\$ 9,188,385	\$ 9,752,969	\$ 9,628,801	\$ 5,223,262	\$ 3,956,941	\$ 1,257,648	\$ 39,008,006
Investment income:							
Dividends	1,273,493	1,375,552	2,516,870	1,818,130	1,075,172	7,150	8,066,367
Net appreciation in fair value of investments	2,739,141	2,888,617	4,976,547	3,339,315	1,649,077	-	15,592,697
Net investment income	4,012,634	4,264,169	7,493,417	5,157,445	2,724,249	7,150	23,659,064
Exchanges in	1,713,724	4,932,207	15,273,972	18,140,882	15,204,709	3,654,894	58,920,388
<b>Total Additions</b>	<b>14,914,743</b>	<b>18,949,345</b>	<b>32,396,190</b>	<b>28,521,589</b>	<b>21,885,899</b>	<b>4,919,692</b>	<b>121,587,458</b>
<b>DEDUCTIONS</b>							
Withdrawals	3,382,739	2,114,583	5,986,341	5,430,553	14,916,266	3,978,653	35,809,135
Administrative fees	438,765	471,857	847,938	604,836	471,872	7,147	2,842,415
Exchanges out	5,339,265	14,594,693	19,523,816	15,711,554	2,704,906	1,046,154	58,920,388
<b>Total Deductions</b>	<b>9,160,769</b>	<b>17,181,133</b>	<b>26,358,095</b>	<b>21,746,943</b>	<b>18,093,044</b>	<b>5,031,954</b>	<b>97,571,938</b>
<b>NET INCREASE (DECREASE)</b>	<b>5,753,974</b>	<b>1,768,212</b>	<b>6,038,095</b>	<b>6,774,646</b>	<b>3,792,855</b>	<b>(112,262)</b>	<b>24,015,520</b>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR</b>	<b>52,289,633</b>	<b>58,914,218</b>	<b>105,404,836</b>	<b>72,785,009</b>	<b>57,590,169</b>	<b>13,683,740</b>	<b>360,667,605</b>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR</b>	<b>\$ 58,043,607</b>	<b>\$ 60,682,430</b>	<b>\$ 111,442,931</b>	<b>\$ 79,559,655</b>	<b>\$ 61,383,024</b>	<b>\$ 13,571,478</b>	<b>\$ 384,683,125</b>

See Independent Auditor's Report.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Bank of North Dakota  
Ascensus Broker Dealer Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **College SAVE** (the Plan), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated March 31, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (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 entity'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 or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Thomas & Thomas LLP*  
Certified Public Accountants

March 31, 2015  
Little Rock, Arkansas