Virginia529
Annual Report

For the period ended on June 30, 2014

Virginia529℠
College Savings Plan

COMMONWEALTH of VIRGINIA

VIRGINIA COLLEGE SAVINGS PLAN
9001 Arboretum Parkway, North Chesterfield, VA 23236

Mary G. Morris
Chief Executive Officer

(804) 371-0766

LETTER OF TRANSMITTAL

October 1, 2014

Board of the Virginia College Savings Plan
9001 Arboretum Parkway
North Chesterfield, Virginia 23236

To the Members of the Board:

It is our pleasure to present the Annual Financial Report (the Report) of the Virginia College Savings Plan (VA529) for the fiscal year ended June 30, 2014, as required by Section 23-38.84 of the *Code of Virginia*. This Report will be presented to the Governor, the Senate Committee on Finance, the House Committees on Appropriations and Finance, and the Joint Legislative Audit and Review Commission. The Report also will be available on our web site at Virginia529.com.

MISSION AND PROGRAMS

VA529's mission is to continue to be a national leader in 529 programs by providing superior, affordable, innovative, tax-advantaged college savings options to assist families and others in achieving their higher education goals, all as part of our statutory mandate to help make college more affordable and accessible. We accomplish our mission primarily through four college savings programs, Virginia529 prePAID℠ (prePAID), Virginia529 inVEST℠ (inVEST), CollegeAmerica® and CollegeWealth®.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

VA529's management assumes full responsibility for the accuracy, completeness and reliability of the information presented. The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). The financial statements contain a description of the accounting principles used in the preparation of the statements. In accordance with GASB principles per the *Codification of Governmental Accounting and Financial Reporting Standards*, the financial statements include Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it.

VA529's management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with GAAP. The internal control system includes the organization plan, the appropriate segregation of duties and responsibilities and sound practices in the performance of duties, data security, and personnel with capabilities commensurate with their responsibilities.

VIRGINIA529 prePAID ACTUARIAL VALUATION AND OUTLOOK

VA529's most recent actuarial valuation report for the Virginia529 prePAID program was prepared by Milliman, Inc. as of June 30, 2014 and compares the value of the current and projected assets of prePAID to the value of expected future disbursements and program costs. The actuarial valuation was performed based upon generally accepted actuarial principles. The two most significant assumptions used to prepare prePAID's actuarial valuation report are the long-term rates of investment return and future tuition growth. The report indicated an improvement in prePAID's actuarially determined funded position from the position as of June 30, 2013 primarily due to lower than expected tuition increases and higher than expected investment returns. We are pleased to report that prePAID was 124.4 percent funded on an actuarial basis as of June 30, 2014.

In August 2014, the Board approved several changes to the underlying actuarial assumptions used in the report as a result of an experience study performed by Milliman, Inc. Those changes were intended to improve the accuracy of the report and resulted in a 3.6 percent net gain in prePAID's funded status. See the footnotes to the financial statements for a description of the changes to the actuarial assumptions.

The Plan continues to remain optimistic that its asset allocation and investment strategies will result in the prePAID portfolio meeting or exceeding performance expectations over the long-term. The Plan has assumed a long-term rate of return of 6.75 percent on prePAID investments. As of June 30, 2014, the total return since inception was 6.7 percent, net of fees, and reflected the higher than expected 11.8 percent overall performance during fiscal 2014. In June 2009, the Plan adopted a new target asset allocation strategy designed to improve returns with a slightly lower expected volatility of returns versus the prior allocation strategy. Plan staff and the Investment Advisory Committee continued to work diligently during fiscal year 2014 to completely implement the target allocation strategy. As of June 30, 2014, the prePAID portfolio was within about 1.5 percent of its target allocation in the four major categories.

In aggregate, market movements had a positive net effect on the prePAID portfolio in fiscal 2014. In July 2013, the Federal Reserve (Fed) announced that it would continue its third round of quantitative easing into the second half of calendar 2013 under which it would purchase additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month. The Fed stated that it would continue with its purchases until the outlook for the labor market had improved substantially. The Fed also stated that it would maintain its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in additional agency mortgage-backed securities for the foreseeable future. Finally, the Fed announced its decision to retain the target range for the federal funds rate at 0 to ¼ percent so long as the unemployment rate remained above 6.5 percent. The Fed's stated goal remained to place downward pressure on longer-term interest rates and the unemployment rate, support mortgage markets, and help make broader financial conditions more accommodative.

This monetary policy and action continued until December when the Fed announced that it would begin reducing its mortgage-backed security and Treasury purchases by $5 billion, respectively, due to improvements in labor markets. By December, the unemployment rate had fallen to just under 7 percent. The tapering process of additional $5 billion reductions in purchases continued in January; and in March, despite Janet Yellen having replaced Ben Bernanke as the new Fed Chair, there was little change in Fed policy and additional tapering announcements continued in March, April and June. The Fed stated that it would continue to reinvest principal payments.

Chair Yellen ushered in one policy change as the Fed announced that it would keep the target federal funds rate at 0 to ¼ percent even though the unemployment rate had fallen to near 6.5 percent by March 2014. The Fed announced that it would adopt a more qualitative approach to evaluating rate changes that included a wider range of indicators. While the unemployment rate had dropped, the labor participation rate remained frozen at about 63 percent and overall job growth was not sufficient to meet a growing number of new workers and those still out of work. Forecast GDP growth for calendar year 2014 remained just over a muted 2 percent. Thus the Fed was forced to keep the federal funds rate near zero. The unemployment rate stood at just over 6 percent by the end of June.

At the beginning of fiscal 2014, the yield on the ten-year U.S. Treasury bond stood at 2.49 percent after the sell-off in U.S. Treasuries in late fiscal 2013 following Fed Chairman Ben Bernanke's announcement that the Fed was prepared to reduce its Treasury and agency mortgage-backed security purchases if the economy continued to improve. The sell-off continued through the end of calendar 2013 and at December 31st, the ten-year bond yield had climbed to 3.04 percent. But, despite predictions to the contrary, by June 30, 2014, the ten-year bond yield had again fallen to 2.51 percent. While this volatility resulted from many factors (e.g., global central banks' monetary policies designed to reduce rates, the global economy remained sluggish, and geopolitical tensions were rising making the U.S. Treasury a safe-haven), the impact on fixed income returns in calendar 2014 has been remarkable given the already low interest rates. In fact, through mid-September, 2014 ranked as the third best year since 1974 in terms of returns on 30-year U.S. Treasury bonds.

The low interest rates continued to support U.S. equities throughout fiscal 2014. Despite some short-term volatility, domestic equity markets finished calendar 2013 at record highs with the S&P 500 closing above 1,800 and the Dow Jones Industrial Average closing at over 16,500.

Despite a rocky start to calendar 2014, domestic equity markets continued to climb with the S&P and the Dow ending the fiscal year at or near record highs of 1,960 and 16,826, respectively. International markets also had a successful year. Domestic equity markets continued to climb in the first quarter of fiscal 2015 setting new highs, with the S&P and the Dow ending September at just under 2,000 and just over 17,000, respectively.

Despite the strong markets, worries abound with regard to geopolitical turmoil throughout the world and particularly in the Middle East, economic slowdowns in the Eurozone and emerging markets such as China, expectations of Fed rate hikes, U.S. Government debt levels and growing deficit spending, and continued sluggish job creation and a lagging recovery. It is difficult to estimate how these and other factors may impact the performance of prePAID during the remainder of fiscal 2015.

The other significant factor in prePAID's ability to meet its future obligations is the future growth in tuition. During the 2012-14 biennium, the General Assembly provided additional general fund support, which enabled public institutions to hold in-state undergraduate tuition and fee increases to just over 4 percent each year. During the 2014 Session, the Governor, House and Senate initially proposed additional general fund support for higher education in the 2014-2016 biennium. However, due to a budget impasse, the 60-day Session ran longer than scheduled with the final budget not signed until the last week in June. Absent a final biennial budget with which to establish their budgets, Virginia public higher education institution's boards were forced to establish student tuition and fees in the spring without knowledge of the extent of state support. There is an inverse relationship between state funding and the rate at which tuition increases at public higher education institutions. According to the State Council of Higher Education for Virginia (SCHEV), full time undergraduate tuition and all mandatory fees at public higher education institutions in Virginia increased by an average of 5.8 percent for the 2015-16 academic year. This increase was more than the 4.3 percent increase in 2013-14 and the 4.1% increase in 2012-13.

Also according to SCHEV, as a result of years of successive general fund budget reductions, the State's contribution to the cost of higher education is estimated to be 47 percent, which means that on average, in-state undergraduate students will pay more than half of the cost of their education in fiscal 2015. That is 20 percentage points lower than the target of 67 percent identified in the Commonwealth's tuition policy.

In early June, as a result of a projected budget shortfall due to lower than forecasted revenue, General Assembly budget negotiators imposed more than $900 million in spending cuts and tapped the Commonwealth's Rainy Day fund to close a budget gap in the 2014-16 biennium. As a result, general fund support to higher education institutions was to remain at levels close to that in fiscal 2014. On August 15, 2014, Governor McAuliffe announced that as a result of revised forecasts, revenue shortfalls in the 2014-16 biennium totaled almost $2.4 billion. According to Governor McAuliffe, the primary reason for the revenue shortfall was the loss of federal jobs and contracts as a result of sequestration. Virginia is considered to be one of the most vulnerable states to federal spending reductions because of its dependence on defense spending and the large number of federal employees who live and work in Virginia. According to a study by the Joint Legislative Audit and Review Commission, between 18 and 30 percent of Virginia general fund revenue is estimated to result from federal spending. The ultimate impact and amount of federal spending reductions has yet to be determined.

On September 15, 2014, Governor McAuliffe, the Speaker of the House of Delegates and money committee chairs announced a bipartisan agreement to address the budget shortfall. As part of the agreement, the average budget reduction for public colleges and universities is about 3.3 percent for fiscal 2015, or close to $45 million in aggregate. The final bill, which was pending as of September 30th, stated that the General Assembly's intent is that the reductions would be achieved via productivity and operating efficiencies rather than through tuition and fee increases. As of September 30th, the Governor, Executive Branch agencies and higher education institutions were working to identify and analyze possible budget reductions as required by the budget agreement.

In assessing prePAID's financial condition and in pricing prePAID contracts, VA529 has projected that tuition and fee increases at Virginia's public higher education institutions will increase annually by approximately 7.5 percent for four-year and two-year institutions for fiscal years 2016 and thereafter. Additional budget shortfalls and corresponding reductions in general fund support to Virginia's public higher education institutions may result in mid-year tuition and fee increases and higher tuition and fee increases in the 2016-17 academic year. Changes in public education funding or changes in tuition models that result in tuition increases above VA529's projections would have an immediate, detrimental impact on VA529's outstanding long-term prePAID obligations. However, with the statutory requirement that institutions provide updated, long-term tuition projections, the Plan remains in a favorable position to prepare for future tuition and fee increases.

2014 PROGRAM HIGHLIGHTS

- **Account Growth and Transaction Volume**

During fiscal 2014, the Plan continued to experience positive growth in accounts as shown in the table below. CollegeWealth's 30.7 percent growth rate demonstrates the success of the program with BB&T and Union First Market Bank. This figure will continue to normalize in the future as the program's account base continues to increase following its 2009 re-launch. The inVEST Program's 16.9 percent growth rate depicts continued strong growth and corresponds to an additional 26,477 accounts opened during the fiscal year.

Fiscal 2014 Growth in Accounts[1]	
prePAID	5.5%
inVEST	16.9%
CollegeAmerica	2.75%
CollegeWealth	30.7%

[1]Gross accounts opened during fiscal year, except for CollegeAmerica (net)

Transaction volume also continued to increase as participants utilized their college savings accounts. During fiscal year 2014, the Plan processed 27,412 inVEST distribution requests and 26,709 prePAID payments to institutions, representing a 13.2 percent and .9 percent increase over the prior fiscal year, respectively.

- **Virginia529 inVEST Program and CollegeAmerica Investment Changes**

VA529 opened the Rappahannock age-based portfolio in January 2014 in anticipation of the upcoming triennial inVEST age-based portfolio evolution on January 1, 2015. The new Rappahannock portfolio was structured identical to the existing James River portfolio with an 80/20 equity to fixed income ratio and was intended for beneficiaries three years old and under. The James River and the other age-based portfolio's asset allocations will evolve in January 2015 along the glide path to emphasize more income and preservation of capital as the portfolios proceed towards the final evolution. Also on January 1, 2014, the Blue Ridge portfolio evolved from 65 to 100 percent stable value in its final evolution.

Stable value comprised over 17 percent of the inVEST program's assets under management as of June 30, 2014. The age-based evolving portfolios continue to be the most popular of the diversified inVEST program investment options.

In December 2013, VA529 approved the inclusion of the American Funds Developing World Growth and Income Fund as an additional investment option in the CollegeAmerica program. This new fund's objective is to provide long-term growth of capital while providing current income and the fund will typically invest most of its assets in securities that are (1) issued by companies in developing countries; (2) principally traded in the securities markets of developing countries; (3) denominated in developing country currencies; or (4) issued by companies deemed to be suitable for investment by the fund because they have significant economic exposure to developing countries. With the addition of this new fund, the CollegeAmerica program offered 39 American Funds mutual funds.

Finally, effective January 1, 2014, VA529 reduced inVEST administrative fees from 0.20 percent to 0.15 percent, giving inVEST one of the lowest fee structures of all direct-sold 529 plans. In addition, in March 2014, VA529's Board approved extending the American Funds contract for the CollegeAmerica program from 2027 to 2040. As part of the negotiation, VA529's administrative fees were reduced to seven basis points for assets over $30 billion and up to $50 billion, six basis points for assets over $50 billion and up to $70 billion, and five basis points for assets over $70 billion. VA529's administrative fee would remain at ten basis points on assets of $30 billion or less. In addition, the American Funds agreed to waive both the $10 account setup fee and the $10 annual account maintenance fee on CollegeAmerica accounts. These reductions will provide meaningful savings to VA529 investors and will assist them in meeting their college savings goals.

- **Operational and System Improvements**

During fiscal 2014 VA529 continued to make improvements to better serve our customers. While too numerous to list them all, we offer the following examples.

During the second quarter of fiscal 2014, VA529 successfully implemented the Banner College Savings System 8.0 release. This release contained many visual enhancements and functionality changes to improve operational productivity and efficiency. During the third quarter, VA529 successfully implemented Banner Self-Service which provided management with real time access to budgets and actual expenditure, revenue, general encumbrances and purchase order data. Banner Self-Service will allow for future system enhancements to VA529's procurement process.

The Department of Accounts is replacing CARS with a new, more robust accounting system (Cardinal Project). During fiscal 2013, VA529 volunteered as a Wave 1 pilot interfacing agency to help test and validate Cardinal and related processes prior to state-wide release to all interfacing agencies. VA529's participation was intended to help ensure that its unique transaction processing and interfacing needs were addressed in Wave 1. Cardinal's targeted go-live date for Wave 1 agencies is October 2014. VA529 accounting and IT staff worked through most of fiscal 2014 on this project; however, in May 2014 VA529 was moved to Wave 2, which is scheduled to go-live in February 2016. This move was necessitated in large part due to Plan resources being dedicated away from Cardinal in order to program and open a new controlled disbursement account to process distributions related to VA529's savings programs (inVEST and CollegeWealth) effective July 1, 2014. Prior to July 1st, savings program distributions were processed through the State Treasury and disseminated primarily via check.

The controlled disbursement account was implemented to provide customer service improvements desired by VA529 that were not available via the State Treasury or Cardinal, and to address operational inefficiences created by the statutorially imposed central vendor database. Once the VA529 controlled disbursement account was recognized as a solution, an additional budget amendment was introduced during the 2014 Session to allow VA529 to process savings program (inVEST and CollegeWealth) distributions and bypass the State Treasury, effectively removing them from the Appropriation Act. The new account will allow VA529 to process distributions via ACH, thereby significantly increasing the speed at which account owners, beneficiaries and higher education institutions may receive their distributions. While this project was a success, it absorbed resources originally dedicated to Cardinal, thus forcing the transition to Wave 2.

- **2014 General Assembly Session**

During its 2014 Session, the General Assembly passed, and the Governor signed, Chapter 23 that established VA529 as a body politic and corporate. As a result of this action, VA529 may represent that it is a qualified institutional buyer and an accredited investor within the definition of such terms under the Investment Company Act of 1940 and the Securities Act of 1933, respectively. Therefore, restricted securities, including Rule 144A securities and Rule 501 securities are allowable investments under the prePAID and inVEST programs and investment managers are authorized to purchase such securities. The ability of Virginia529 to invest in these securities will enable broader diversification and potentially higher returns in both the prePAID portfolio and inVEST age-based portfolios.

Also during the 2014 Session, the General Assembly approved the Plan's operating budget for the 2014-2016 biennium, which included 17 additional positions and additional operating funds to support marketing, awareness and outreach efforts, including financial literacy; as well as information technology improvements to ensure customer data security and privacy and improve customer service. The approved budget also continued funding for VA529's comprehensive compensation plan designed to link compensation adjustments to performance.

- **Joint Legislative Audit and Review Commission (JLARC) Oversight.**

During its 2012 Session, the General Assembly passed, and the Governor signed, the Virginia College Savings Plan Oversight Act, which provided for oversight and evaluation on a continuing basis by JLARC. Although the legislation was not the result of a problem or deficiency, JLARC oversight resulted in the continued dedication of VA529 staff and financial resources in fiscal 2014 as the Oversight Act was fully implemented and the first biennial status report was issued.

During fiscal 2014, JLARC re-organized and dedicated staff for its ongoing oversight and fiscal analysis functions. VA529 staff worked to familiarize the newly assigned JLARC staff with our operations. During the year, JLARC produced a *Legislator Guide* for Virginia529 to provide information at a glance for General Assembly members. VA529 commented and provided guidance in the *Guide's* development. VA529 also worked closely with JLARC late in fiscal 2014 as JLARC staff prepared its first biennial status report on VA529. The report was issued in July 2014 and noted that VA529' s programs had grown and met long-term, performance goals and had met most investment performance benchmarks. The report also repeated the findings of JLARC's actuary, Gabriel Roeder Smith & Company from its initial quadrennial actuarial audit of the prePAID program, which was completed in fiscal 2013 and found that prePAID was actuarially sound. JLARC's report also noted the restructuring of the prePAID contracts in fiscal 2013 to improve affordability and that the restructuring appeared to increase the number of prePAID applications. Finally, the report noted the reductions in program fees and recent legislative changes. The full report may be found on JLARC's website at http://jlarc.virginia.gov/reports.shtml. We look forward to continuing our relationship with JLARC.

ACKNOWLEDGEMENTS

We remain committed to providing the best possible customer service to our program participants and to the citizens of the Commonwealth, and to be responsible stewards of the funds in our care. We express our sincere thanks and appreciation to our outstanding staff, our business partners and the guidance and dedication of our Board and Committee members.

Respectfully submitted,

Mary G. Morris
Chief Executive Officer

Gary Ometer, CPA, CGMA
Chief Financial Officer

-TABLE OF CONTENTS-

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 9, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
And Review Commission

Board Members
Virginia College Savings Plan

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities (the Enterprise Fund) and the remaining fund information (the Private-Purpose Trust Fund) of the Virginia College Savings Plan as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements 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 opinions 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 of 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 financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and remaining fund information of the Virginia College Savings Plan as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Relationship to the Commonwealth of Virginia

As discussed in Note 1, the basic financial statements of the Virginia College Savings Plan are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities, the major enterprise fund, and aggregate remaining fund information of the Commonwealth of Virginia that is attributable to the transactions of the Plan. They do not purport to, and do not, present fairly the Commonwealth of Virginia's overall financial position as of June 30, 2014, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 21 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 who considers it to be an essential part of the 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 and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Virginia College Savings Plan's basic financial statements. The accompanying supplementary information, such as Appendix A, Appendix B, and Appendix C, and the other information such as the letter of transmittal and program information for CollegeAmerica and CollegeWealth are presented for the purpose of additional analysis and is not a required part of the basic financial statements.

Appendix A, Appendix B, and Appendix C 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, Appendix A, Appendix B, and Appendix C are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The letter of transmittal and program information for CollegeAmerica and CollegeWealth has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2014 on our consideration of the Virginia College Savings Plan's internal control over financial reporting and on 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 the Virginia College Savings Plan's internal control over financial reporting and compliance.

Staci A. Henshaw

DEPUTY AUDITOR OF PUBLIC ACCOUNTS

Management's Discussion

& Analysis

VIRGINIA COLLEGE SAVINGS PLAN'S
MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

The Virginia College Savings Plan's (VA529) Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues and provides an overview of financial activity. This discussion includes an analysis of the VA529's financial condition and results of operations for the fiscal year ended June 30, 2014. This presentation includes summarized data and should be read in conjunction with the accompanying financial statements and notes.

VA529 operates the Commonwealth's Internal Revenue Code (IRC) Section 529 qualified tuition plan, which offers four programs, Virginia529 prePAID℠ (prePAID), Virginia529 inVEST℠ (inVEST), CollegeAmerica® and CollegeWealth®. prePAID is considered a defined benefit program which offers contracts, at actuarially determined prices, that provide the future payment of undergraduate tuition for the normal full-time course load for students enrolled in a general course of study at any Virginia public higher educational institution and all mandatory fees required as a condition of enrollment of all students and differing payouts at private or out-of-state institutions. Annually, VA529's actuary determines the actuarial soundness of prePAID. Key factors used in the actuarial analysis include anticipated tuition increases (both short and long-term) as well as anticipated long-term investment performance. inVEST is a defined contribution savings program, which allows participants to make contributions into their selected investment portfolio(s). inVEST accounts are subject to market investment risks, including the possible loss of principal.

CollegeAmerica and CollegeWealth are also defined contribution savings programs. CollegeAmerica, a broker-sold program, offers 39 different American Funds mutual fund products as investment options. CollegeAmerica participants bear all market risk for their investment, including the potential loss of principal. The American Funds acts as program manager for CollegeAmerica and provides all back office and operational services for the program. CollegeWealth participants invest in FDIC-insured savings products offered through two participating banks, BB&T and Union First Market Bank.

Overview of Financial Statements

This discussion and analysis is an introduction to VA529's basic financial statements, which include VA529's business-type activity or enterprise fund, the fiduciary or private purpose trust fund and notes to the financial statements.

Business Type Activities – Enterprise Fund

All prePAID activities and VA529's operating activities are accounted for in an enterprise fund, which is typically used to account for governmental operations that are financed and operated in a manner similar to a private sector business. Enterprise funds typically report activities that charge fees for supplies or services to the general public. This activity is reported on the full accrual basis of accounting. This means that all revenue and expenses are reflected in the financial statements even if the related cash has not been received or paid as of June 30th.

The Statement of Net Position presents information on all prePAID assets and liabilities, with the difference between the two reported as total net position. Over time, increases and decreases in net position along with the information contained in the annual actuarial soundness report indicate prePAID's financial position.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year, including both actual as well as actuarially determined contract payments from participants and distributions for higher education expenses.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, financing, and investing activities.

Fiduciary Fund

inVEST is reported as a private purpose trust fund. A private purpose trust fund accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations or other governments, and uses the full accrual basis of accounting.

inVEST activities are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The Statement of Fiduciary Net Position presents information on all inVEST assets and liabilities, with the difference between the two reported as total net position. The Statement of Changes in Fiduciary Net Position presents the revenues earned and expenses incurred during the year.

CollegeAmerica and CollegeWealth are both defined contribution savings programs and are presented as Other Information.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Fiscal 2014 Financial Highlights

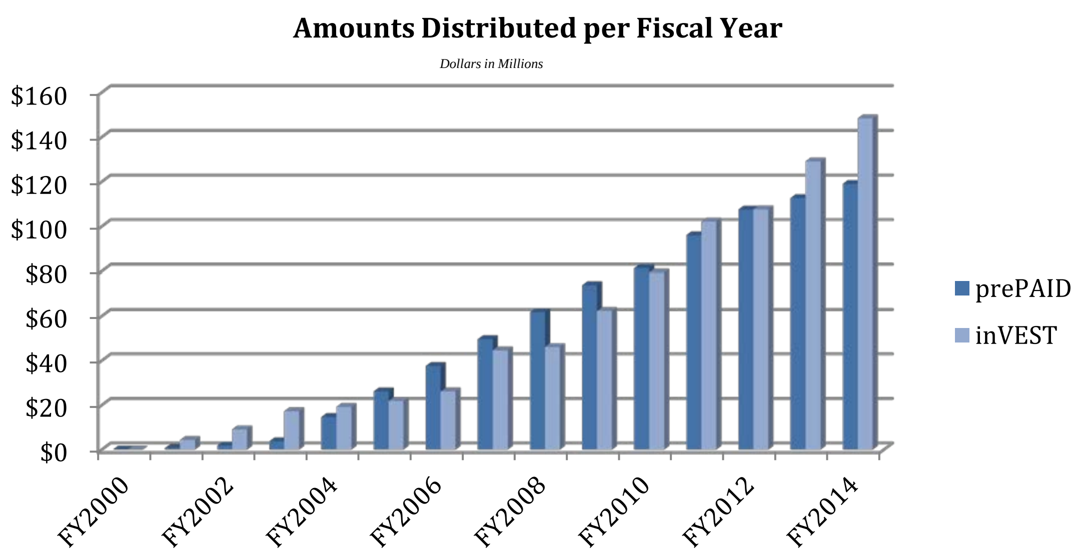
VA529 collects, holds, invests and distributes monies held in trust for program participants. VA529 invests its funds pursuant to statute and Investment Policies and Guidelines under the direction of its Board and Investment Advisory Committee in a mix of equity, fixed income and alternative investments. During the fiscal year ended June 30, 2014, the domestic and international equity markets continued to perform very well with moderate volatility. The United States domestic equity market, as measured by the Standard & Poor's 500 Index, ended the year up 24.6 percent from June 30, 2013 while international equity markets as measured by the MSCI EAFE Index, were up 24.1 percent. Emerging markets did not perform as well as measured by the MSCI EM Index, which was up 14.7 percent for the year. The fixed income markets provided inconsistent performance throughout the year as interest rates rose through calendar 2013, then dropped again through mid-calendar 2014. The Barclays Capital US Aggregate Bond Index returned 4.4 percent for the year ended June 30, 2014. As in fiscal 2013, certain fixed income classes such as high yield bonds performed better than the U.S. Treasury and overall fixed income market as demonstrated by the Barclays Capital High Yield Index which returned 11.7 percent for the year ended June 30, 2014.

In aggregate, market movements had an overall net positive effect on fixed income and equity security prices in the prePAID, inVEST and CollegeAmerica portfolios for the fiscal year ended June 30, 2014.

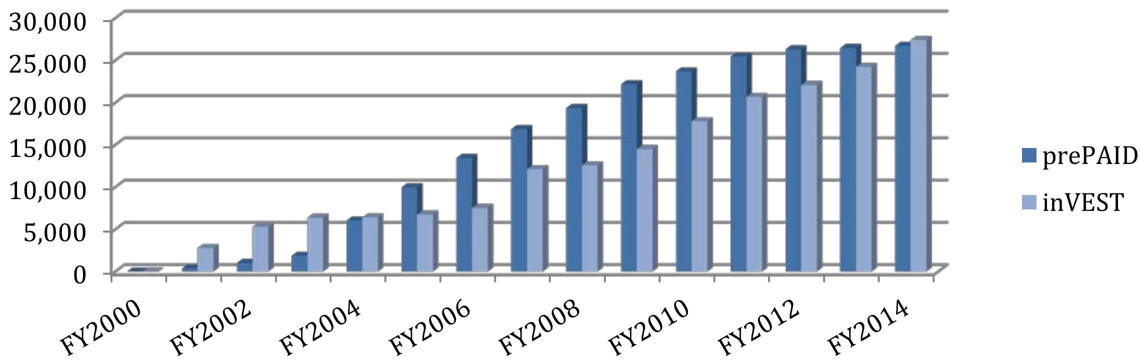
- The Enterprise Fund's total cash, cash equivalents, and investments held in trust for program participants increased by $263.8 million, or about 12.2 percent from fiscal year-end 2013.
- prePAID's actual return on investments for the fiscal year ended June 30, 2014 was 11.8 percent on a time-weighted and dollar-weighted basis reflecting the equity and fixed income market performance during the fiscal year.
- The Enterprise Fund's net position increased by $303.9 million to an actuarially determined surplus of $523.3 million from an actuarial surplus of $219.5 million in the prior year, which was primarily due to lower than expected tuition increases and higher than expected investment returns.

- prePAID's actuarially determined obligations for future payments decreased by $48.6 million, or approximately -2.2 percent, which was primarily due to the passage of time, unit redemptions and new unit sales, differences between actual experience and the actuarial assumptions used, and changes to the actuarial assumptions. 3,795 new contracts were opened during the 2013 – 2014 enrollment period.
- inVEST net position held in trust for program participants increased by $508.8 million or about 22.1 percent due to growth in accounts and improved capital markets performance.
- Both prePAID and inVEST applicants continued to increase utilization of on-line applications with more than 94.9 and 93.7 percent, respectively, of applications being filed on-line.
- VA529 continued to experience positive growth in accounts, particularly in inVEST and CollegeWealth with 16.9 percent and 30.7 percent gross account growth, respectively. CollegeAmerica also experienced positive net account growth in 2014 at 2.8 percent. More information on CollegeAmerica and CollegeWealth is provided in Other Information.
- Distributions as measured by dollars and number of transactions continued to increase for both prePAID and inVEST as participants utilized their college savings accounts. Transactional activity for both prePAID and inVEST is depicted in the graphs below.

The two graphs below represent inVEST and prePAID distributions since fiscal year 2000.



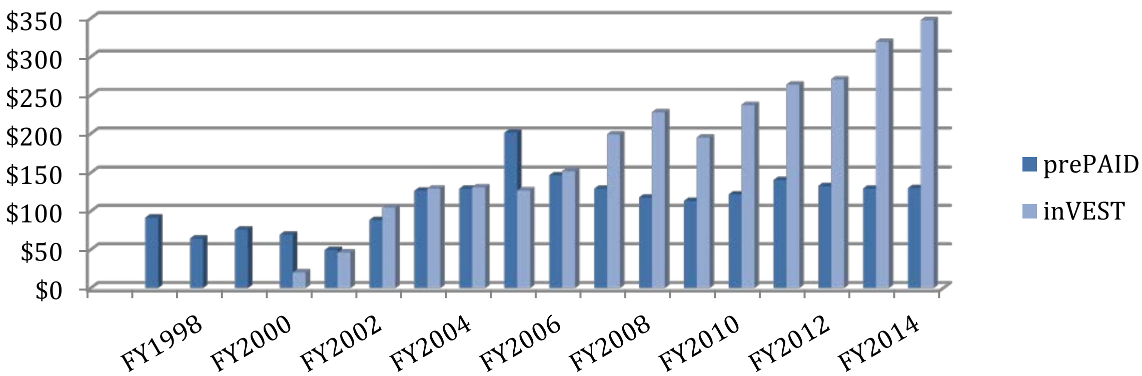
Number of Distributions on Behalf of Beneficiaries per Fiscal Year



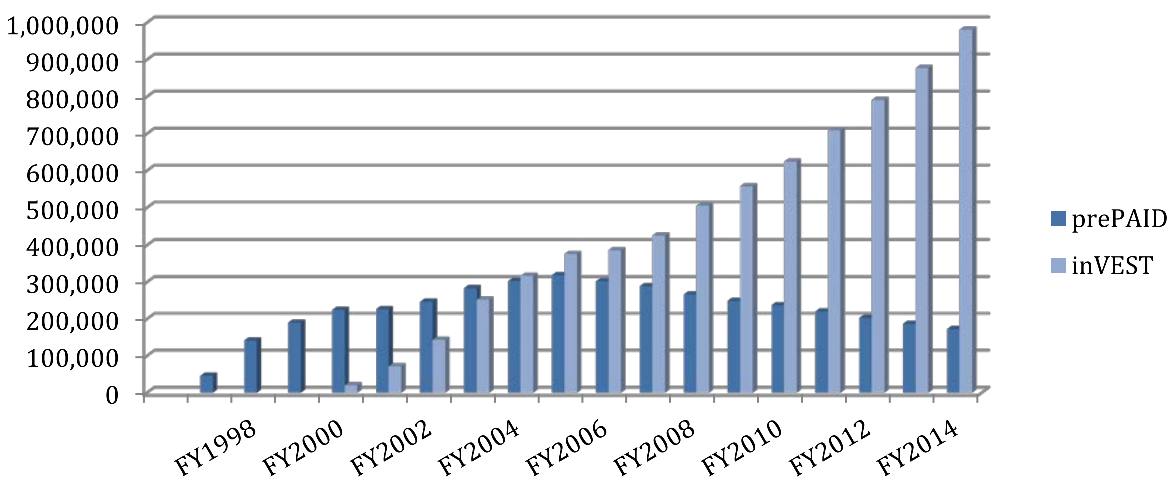
The two graphs below represent prePAID contract payments and inVEST contributions received since fiscal year 1997 – inVEST being introduced in fiscal 2000.

Amounts Received per Fiscal Year

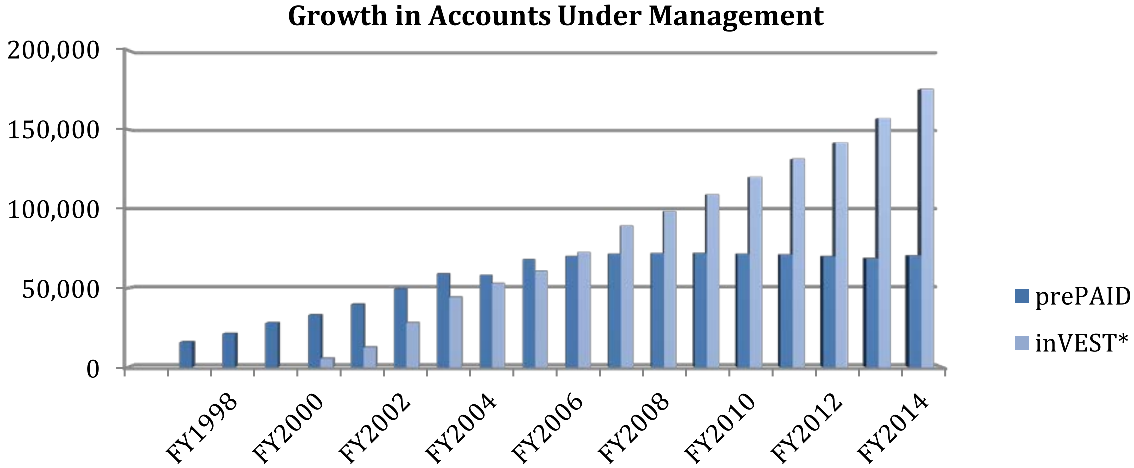
Dollars in Millions



Number of Payments/Contributions Received per Fiscal Year



The graph below represents inVEST and prePAID accounts under management since fiscal year 1997 – inVEST being introduced in fiscal 2000.



*In fiscal 2013, VA529 instituted a policy to close zero balance inVEST accounts that had no activity for the trailing 18 months. For reporting purposes, inVEST accounts reported for fiscal years prior to 2013 have been adjusted retroactively as if the zero balance account policy had been in effect since inception of the inVEST program.

Analysis of Enterprise Fund Financial Activities

The Enterprise Fund includes the activities of prePAID as well as VA529's general operating activities. The Enterprise Fund ended the year with net position of $523.3 million.

Table 1 is a summary comparison of the prePAID's Statement of Revenues, Expenses, and Changes in Net Position for fiscal year 2014 as compared to the prior year.

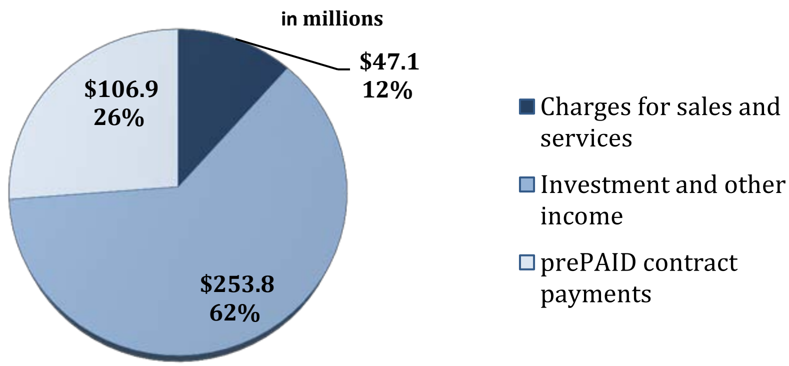
Table 1 – Enterprise Fund – Changes in Net Position (in millions)

YEARS ENDED JUNE 30,	2014	2013	CHANGE
Operating revenues			
Charges for Sales and Services	$ 47.1	$ 41.0	$ 6.1
Interest and Dividends	151.7	103.2	48.5
Net increase in fair value of investments	102.1	56.0	46.1
prePAID contract payments	106.9	99.8	7.1
Other	-	0.8	(0.8)
Net operating revenues	407.7	300.8	106.9
Operating expense			
Tuition Benefits Expense	84.1	138.0	(53.9)
Other operating expenses	19.4	17.1	2.3
Net operating expenses	103.5	155.1	(51.6)
Operating income (loss)	304.2	145.7	158.5
Transfer to the Commonwealth	(0.2)	(0.3)	0.1
Non Operating Interest Expense	(0.2)	(0.1)	(0.1)
Change in net position	$ 303.9	$ 145.3	$ 158.5

Amounts may not sum due to rounding

Capital markets performed well during the fiscal year. The prePAID Portfolio's allocation to domestic equities posted the strongest returns, however nearly all of the portfolio's investments posted positive returns for the fiscal year. For the fiscal year ended June 30, 2014, there was a net increase in the fair value of investments of approximately $102 million, versus the increase in the prior fiscal year of $56 million. The fair market value of investment securities changes on a daily basis depending upon market conditions. This number will fluctuate from year to year, depending upon market conditions on June 30th, or the last business day of the fiscal year. Investment income represents about 62 percent of enterprise fund revenue, as shown in Chart 1.

Chart 1
2014 Enterprise Fund Revenue



VA529 prePAID contract payment revenue includes actual and actuarially estimated contributions, and represents approximately 26 percent of enterprise fund revenue. Actual contract payments from participants increased by $1.2 million over prior year receipts. In addition, actuarially determined prePAID contract payment revenue decreased by $5.8 million. Receipts for charges for sales and services totaled $47.1 million in fiscal year 2014. This is a $6.1 million increase over the prior year. The increase is attributable to the growth in assets in the CollegeAmerica and CollegeWealth programs.

Table 1 reflects tuition benefits expense, which is comprised of two components; actuarially determined and actual tuition benefits expenses. The actuarial tuition benefit expense is accrued for estimated expenses, as determined by VA529's actuary, and it represents the net change in tuition benefits payable over the prior fiscal year end. This actuarially determined amount decreased from the previous fiscal year end accrual by $62.4 million.

Actual tuition benefit expense represents actual distributions made during the fiscal year. This actual amount increased over the prior year by $1.2 million, or 1.1 percent. The increase in actual distributions is attributable to an increase in the number of students using benefits and increases in tuition and mandatory fees at the higher education institutions. The net change in tuition benefits expense from fiscal year 2013 is -$53.9 million.

Table 2 demonstrates the numbers of students served and the amounts paid from prePAID directly to Virginia public universities and community colleges during fiscal year 2014. Virginia's universities and colleges received approximately $100.2 million in prePAID tuition and mandatory fee payments for 11,192 students in fiscal year 2014.

Table 2 prePAID Payments Virginia Public Universities and Community Colleges Fiscal Year 2014

Public Universities	Students with prePAID Contracts	prePAID Payments to Universities
Virginia Tech	1,934	$20,875,240
University of Virginia	1,366	16,390,146
Virginia Commonwealth University	1,216	11,639,613
James Madison University	1,096	9,475,290
College of William & Mary	658	8,995,392
George Mason University	868	7,594,561
Christopher Newport University	474	4,956,063
Longwood University	430	4,312,565
Radford University	451	3,678,269
Old Dominion University	523	3,496,814
University of Mary Washington	361	3,198,018
Virginia Military Institute	74	1,026,782
University of Virginia's College at Wise	24	175,479
Virginia State University	27	158,518
Norfolk State University	20	107,047
Total Universities	9,522	$96,079,797

Public Community Colleges*	Students with prePAID Contracts	prePAID Payments to Community Colleges
Northern Virginia Community College	652	$1,744,725
Tidewater Community College	179	435,904
J Sargeant Reynolds Community College	178	391,105
John Tyler Community College	137	296,702
Germanna Community College	80	182,950
Virginia Western Community College	58	136,736
Lord Fairfax Community College	60	131,521
Piedmont Virginia Community College	53	126,039
Thomas Nelson Community College	56	107,377
Richard Bland College	29	102,426
Blue Ridge Community College	38	100,813
New River Community College	32	88,334
Rappahannock Community College	23	52,824
Central Virginia Community College	17	47,947
Patrick Henry Community College	13	36,788
Danville Community College	12	23,750
Virginia Highlands Community College	7	20,724
Wytheville Community College	10	18,753
Southside Virginia Community College	12	17,615
Dabney S Lancaster Community College	7	16,573
Eastern Shore Community College	5	15,253
Southwest Virginia Community College	6	12,821
Mountain Empire Community College	3	6,566
Paul D Camp Community College	3	6,079
Total Community Colleges*	1,670	$4,120,324

*Includes Richard Bland College; Virginia's only 2-year junior college.

As shown in Chart 2, tuition benefit payments represent 87 percent of actual expenses of the Enterprise Fund. Actual tuition benefits expenses increased by $16.6 million over the prior fiscal year. Of the $19.4 million expended for administrative and operations services, 83 percent were for personal and contractual services.

Chart 2
2014 Enterprise Fund Expenses
in millions

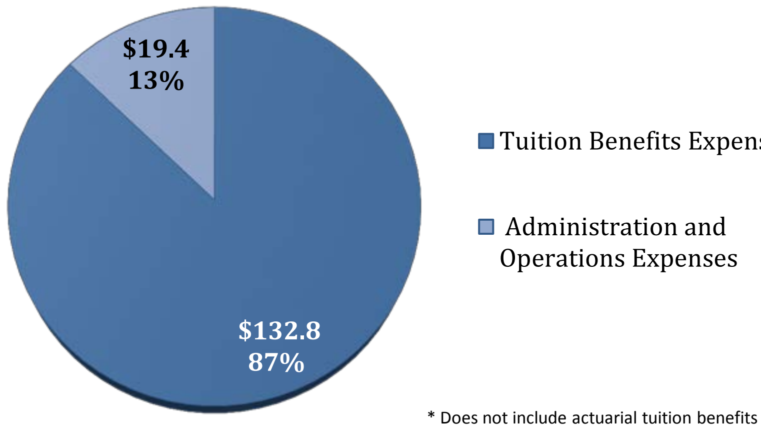


Table 3 provides a comparison of administrative and operating expenses between fiscal years 2014 and 2013.

Table 3 – Enterprise Fund
Plan Administration and Operations Expenses (in thousands)

YEARS ENDED JUNE 30,	2014	2013	CHANGE
Personal services	$8,770	$ 7,929	$ 841
Fiscal and contractual services	7,351	6,117	1,234
Supplies and materials	34	47	(13)
Depreciation	522	498	24
Rent, insurance, and other related charges	133	122	11
Expendable equipment	427	397	30
SOAR Va	2,000	2,000	-
Other	146	19	127
Administration and Operations Expenses	$19,383	$17,129	$ 2,254

The 10.6 percent increase in personal services expense, is attributable to an increase in the number of VA529 employees in fiscal 2014 as well as VA529 employees receiving salary increases and incentive performance bonuses as provided in the Plan's Compensation Plan approved by the General Assembly. The 20.2 percent increase in contractual services is primarily attributable to an increase in sponsorships, computer maintenance services, and professional services. The increase in other expenses is due to an increase in promotional award expenses as well as scholarship award payments that began in fiscal 2014.

Table 4 – Enterprise Fund
prePAID Financial Position (in millions)

As of JUNE 30,	2014	2013	CHANGE
Assets:			
Current assets	$ 116.2	$ 131.2	$ (15.0)
Investments	2,367.7	2,089.3	278.4
Other noncurrent assets	165.3	174.1	(8.8)
Total prePAID Assets	2,649.2	2,394.6	254.6
Liabilities:			
Current liabilities	225.2	209.7	15.5
Noncurrent Liabilities	1,916.1	1,980.0	(63.9)
Total prePAID Liabilities	2,141.3	2,189.7	(48.4)
Change in prePAID net position	$ 507.9	$ 204.9	$ 303.0

Assets

Current assets decreased by approximately $15 million from the previous year. The majority of this decrease is attributable to VA529-directed cash withdrawals from three of prePAID's active equity managers totaling $21.5 million on June 30th to fund securities purchases with an existing manager. This decrease was offset by $4.7 million of cash in a separate account that contains program net operating revenue and additionally serves as a holding account for any positive cash flows of the prePAID program awaiting allocation across the investment manager accounts.

Long-term investments increased by $278.4 million, or 13.3 percent. This increase was due to market conditions that positively impacted investment performance as well as program growth. Other noncurrent assets decreased by $8.8 million, which was due to the decrease in the noncurrent portion of the tuition contributions receivable. This represents the decrease in the actuarially determined amount expected to be collected from contract holders of record in future years.

Liabilities

Total prePAID liabilities decreased by $48.4 million. While other current liabilities increased, total tuition benefits payable, reflected in both current and noncurrent liabilities above, decreased by $48.6 million, or approximately -2.2 percent. The total decrease represents the change in the actuarial present value of the future tuition obligations. Changes in the present value of the future tuition benefit obligation can be attributed to the passage of time, unit redemptions and new unit sales, differences between actual experience and the actuarial assumptions used, and changes to the actuarial assumptions.

Actuarial Soundness

VA529's statute requires that it annually determine the actuarial soundness of prePAID. The purpose of the actuarial valuation is to assess the future value of VA529's assets and liabilities, which are discounted to reflect their present value.

During fiscal year 2014, prePAID's actuarial position, as calculated by VA529's actuary and reported in the 2014 Actuarial Valuation Report, improved from an actuarial surplus of $219.5 million to a surplus of $523.3 million. This improvement is mostly attributable to lower than expected tuition increases and higher than expected investment returns. In addition, VA529's Board approved changes in certain underlying actuarial demographic assumptions which resulted in a modest increase in the actuarial position. Actuarial assumptions are discussed in Note 8 in the Notes to the Financial Statements.

The overall effect of the changes on the actuarial reserve is summarized in Table 5. Table 5 reflects the actuarial gains and losses and the Actuarial Reserve as of June 30, 2014 as calculated by VA529's actuary using preliminary financial statements developed and provided by VA529 as reflected in the draft Actuarial Valuation Report as of October 31, 2014. The final report is expected to be completed no later than mid-December 2014. Any adjustments to the final Actuarial Reserve and the estimated valuation will be reflected and disclosed in subsequent year's financial statements. A copy of the 2014 Actuarial Valuation Report may be obtained from VA529.

Table 5 – prePAID
Statement of Changes in Actuarial Reserve (dollars in millions)

Actuarial reserve at June 30, 2013	$ 219.5
Interest on the reserve at 6.75%	14.8
Investment gain	108.7
Tuition gain	27.7
Higher than expected actual account balances	(8.2)
Sales of new contracts	11.4
Administrative fee revenue from from VA529 programs	27.3
Change in demographic assumptions	80.0
Change in other assumptions	17.4
Other experience gains	24.7
Actuarial Reserve as of June 30, 2014	$ 523.3

VA529 prePAID's overall funded status, as calculated by the actuary, as of June 30, 2014 was 124 percent. Chart 3 provides prePAID's funded status since 1997.

Chart 3
prePAID Actuarially Funded Percentage as of June 30th

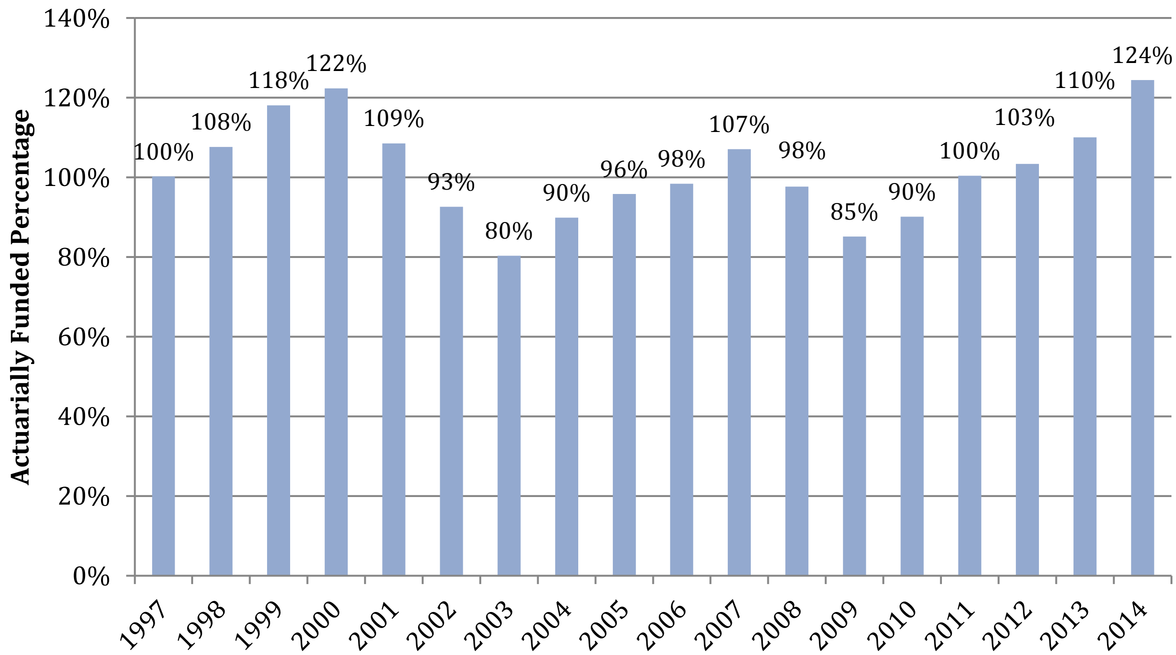


Table 6 represents the condensed Statement of Cash Flows for the Enterprise Fund for the fiscal years ended June 30, 2014 and 2013. VA529's year-end cash balance in the Enterprise Fund decreased by $14.6 million primarily as a result of VA529-directed cash withdrawals from three active equity managers to fund an additional investment with an existing hedge fund manager.

Table 6 – Enterprise Fund
Statement of Cash Flows (dollars in millions)

As of June 30,	2014	2013
Cash provided (used) by:		
Operating activities	$10.6	$13.2
Noncapital financing activity	(0.2)	(0.3)
Capital and related financing activities	(0.7)	(1.0)
Investing activities	(24.3)	5.8
Net increase (decrease) in cash	(14.6)	17.7
Cash – beginning of year	75.2	57.5
Cash – end of year	$60.6	$75.2

The change in the amount reflected as investing activities for fiscal year 2014 is primarily the result of an increase in net purchases of new investments during the fiscal year.

In December 2013, the Board revised its Investment Policies and Guidelines for prePAID and inVEST. The revisions were primarily related to updating applicable benchmarks and recognizing that some investment managers, particularly those domiciled outside the United States, may be regulated by an entity other than the Securities and Exchange Commission. The overall asset allocation targets for prePAID, most recently revised in June 2009, did not change.

During its 2014 Session, the Virginia General Assembly passed legislation establishing the Virginia College Savings Plan as a body politic and corporate, effective February 27, 2014. This action enables VA529 to represent itself as a qualified institutional buyer and an accredited investor within the definition of such terms under the Investment Company Act of 1940 and the Securities Act of 1933, respectively, and allows VA529 to purchase certain restricted securities, including Rule 144A securities and Rule 501 securities.

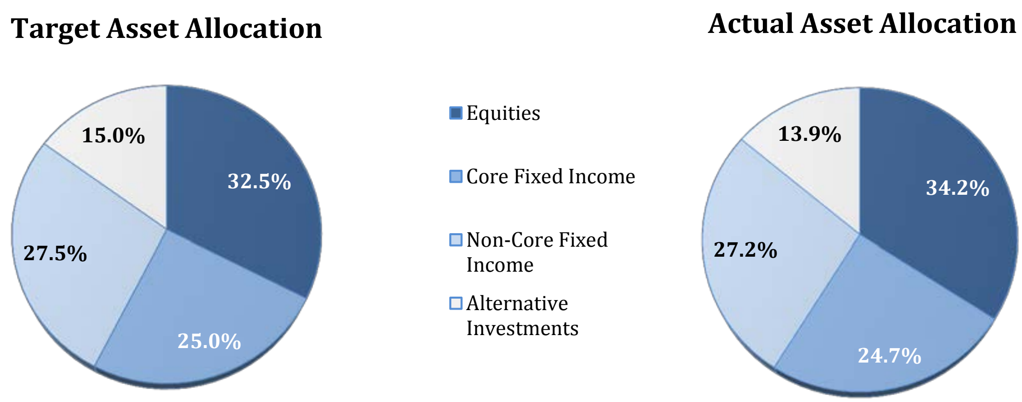
Since 2009, VA529, working with the Investment Advisory Committee and Board, has continued the transition process to the target asset allocation in prePAID (see Chart 4). The transition is largely complete with the alternatives category steadily being brought towards target as VA529's private equity managers issue capital calls. Capital committed to private equity managers but not yet called is currently primarily held in the equities category and is largely invested in domestic equities with some additional funds being temporarily placed with hedge fund managers.

In May 2013 the Investment Advisory Committee terminated Lord Abbett & Co., LLC, VA529's prePAID convertible bond manager, replacing them with two convertible bond managers, Advent Capital Management, LLC and Ferox Capital, LLP. Advent and Ferox were funded and the transition was completed during the first quarter of fiscal 2014. In addition, VA529 engaged Shenkman Capital Management, Inc. to manage a senior secured bank loans strategy and the Vanguard Group, Inc. to manage two additional index strategies through new investments in the Vanguard Intermediate-Term Bond Fund and the Vanguard Mortgage-Backed Securities Index Fund in the prePAID portfolio. These strategies were funded in the first and second quarters of fiscal year 2014 through a partial liquidation of VA529's investment in the State Street TIPS Non-Lending Index Common Trust Fund and a complete liquidation of holdings in the Vanguard Total Bond Market Index Fund.

In March and June 2014, respectively, the Investment Advisory Committee selected Brookfield Investment Management and approved the guidelines to manage an active mortgage-backed securities mandate for prePAID to be funded through the liquidation of a passive mortgage-backed securities index fund managed by Vanguard. Due to the nature of the mandate, further approval of the guidelines was required by VA529's Board, which approved the guidelines in August 2014. This transition and funding will occur at the end of the first quarter of fiscal 2015.

During fiscal 2014, the Investment Advisory Committee also engaged Aether Investment Partners as a private equity fund of funds manager for prePAID. A complete list of prePAID managers as of June 30, 2014 can be found in Appendix B.

Chart 4
prePAID Asset Allocation as of June 30, 2014



Analysis of Fiduciary Fund (inVEST)
Financial Activities

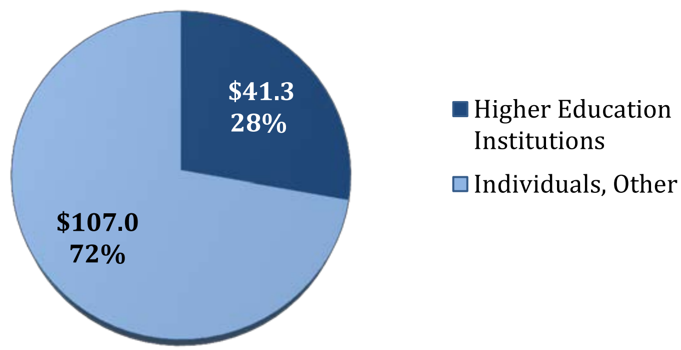
Contributions from inVEST participants increased from the previous year by approximately $30.9 million and there were more than 19,750 new inVEST accounts opened during the fiscal year. Contributions represent amounts received from new and existing account holders. Net income on inVEST investments increased by $159.0 million over the prior year due to improved market conditions compared to the prior year. As anticipated, overall disbursements to inVEST beneficiaries and institutions increased over the prior year by approximately 13.7 percent as more participants withdrew funds for higher education expenses.

Table 7 – inVEST
Change in Fiduciary Net Position (dollars in millions)

Fiscal year ended June 30	2014	2013	Change
Additions	$ 675.9	$ 486.0	$ 189.9
Deductions	167.1	144.8	22.3
Net Increase (decrease)	508.8	341.2	167.6
Net position held in trust, beginning	2,301.9	1,960.7	341.2
Net position held in trust, ending	$ 2,810.7	$ 2,301.9	$ 508.8

A majority of the $148.3 million inVEST distributions during the fiscal year were paid directly to individuals. Under inVEST, participants have the ability to direct VA529 to pay the institution, or to pay higher education expenses directly and subsequently reimburse themselves from their inVEST account. Chart 5 below contains a breakdown of these distributions.

Chart 5
2014 inVEST Distributions
in millions



Effective January 1, 2014, VA529 reduced inVEST administrative fees from 0.20 percent to 0.15 percent.

On January 1, 2014, VA529 opened the Rappahannock age-based portfolio in anticipation of the upcoming triennial inVEST age-based portfolio evolution on January 1, 2015. The new Rappahannock portfolio was structured identical to the existing James River portfolio with an 80/20 equity to fixed income ratio and was intended for beneficiaries three years old and under. Also on January 1, 2014, the Blue Ridge portfolio evolved from 65 percent stable value to 100 percent stable value in its final evolution. The inVEST age-based portfolios asset allocations will evolve in January 2015 along the glide path to emphasize more income and preservation of capital as the portfolios proceed towards their final evolution.

CollegeAmerica and CollegeWealth

Assets under management in CollegeAmerica increased during the fiscal year increasing by approximately 22.0 percent from $39.0 billion to $47.6 billion. There were an additional 56,657 unique CollegeAmerica accounts at fiscal year-end.

In March 2014, VA529's Board approved extending the American Funds contract for the CollegeAmerica program from 2027 to 2040. As part of the negotiation, VA529's administrative fees were reduced to seven basis points for assets over $30 billion and up to $50 billion, six basis points for assets over $50 billion and up to $70 billion and five basis points for assets over $70 billion. VA529's administrative fee would remain at ten basis points on assets of $30 billion or less. In addition, the American Funds agreed to waive both the $10 account setup fee and the $10 annual account maintenance fee on CollegeAmerica accounts.

In December 2013, VA529 approved the inclusion of the American Funds Developing World Growth and Income Fund as an additional investment option in the CollegeAmerica program. With the addition of this new fund, the CollegeAmerica program offered 39 American Funds mutual funds. A complete list of CollegeAmerica investment options as of June 30, 2014 can be found in Other Information.

Assets under management in CollegeWealth increased by 32.9 percent in fiscal year 2014 to more than $84.2 million at year end. The assets represented amounts held in savings instruments at the two participating banks (BB&T and Union First Market Bank) and were thus not subject to fair market value adjustments at year-end.

CollegeAmerica and CollegeWealth are presented as Other Information to VA529. Additional information on these programs can be found in this section of the report.

Economic Factors and Outlook

VA529 continues to remain optimistic that its asset allocation and investment strategies will result in the prePAID portfolio meeting or exceeding performance expectations over the long-term. VA529 has assumed a long-term rate of return of 6.75 percent on the prePAID investments. As of June 30, 2014, the total return since inception was about 6.7 percent net of fees and reflected prePAID's 11.8 percent performance during fiscal 2014. Global and domestic equity and fixed income markets experienced gains from June 30, 2014 into fiscal 2015. Portfolio performance through the balance of fiscal 2015 will depend on many factors.

In assessing prePAID's financial condition and in pricing prePAID contracts, VA529 has projected that tuition and fee increases at Virginia's public higher education institutions will increase annually by approximately 7.5 percent for four-year and two-year institutions for fiscal years 2016 and thereafter. Changes in public education funding or changes in tuition models that result in tuition increases above VA529's projections would have an immediate, detrimental impact on VA529's outstanding long-term prePAID obligations. However, with the statutory requirement that institutions provide updated, long-term tuition projections, VA529 remains in a favorable position to prepare for future tuition and fee increases.

The performance of participants' inVEST and CollegeAmerica portfolios will depend on many of the same investment factors as those impacting prePAID. In inVEST, CollegeAmerica, and CollegeWealth, the participants rather than VA529 bear the risk of portfolio declines as a result of the market or other factors. As a result, no further information as to economic factors and outlook is provided.

Financial Statements

VIRGINIA529
STATEMENT OF NET POSITION
ENTERPRISE FUND
For the Year Ended June 30, 2014

	Administration and Operations	prePAID	Total Enterprise
ASSETS			
Current assets:			
Cash and cash equivalents (Note 1E and 2)	$ 2,660,802	$ 57,959,591	$ 60,620,393
Interest receivable	-	3,930,522	3,930,522
prePAID contract payments receivable (Note 1G and 8)	-	52,578,616	52,578,616
Prepaid and other assets	67,296	-	67,296
Accounts receivable (Note 1H)	10,578,622	1,745,050	12,323,672
Total current assets	13,306,720	116,213,779	129,520,498
Noncurrent assets:			
Investments (Note 1E and 2)	-	2,367,744,112	2,367,744,112
prePAID contract payments receivable (Note 1G and 8)	-	165,250,739	165,250,739
Depreciable capital assets, net (Note 1J and 7)	9,558,432	-	9,558,432
Total noncurrent assets	9,558,432	2,532,994,851	2,542,553,283
Total assets	22,865,152	2,649,208,630	2,672,073,782
LIABILITIES			
Current liabilities:			
Accounts payable	732,919	-	732,919
Program distributions payable	-	666,770	666,770
Due to program participants (Note 1K)	-	215,018	215,018
Tuition benefits payable (Note 6 and 8)	-	224,344,067	224,344,067
Compensated absences (Note 1L and 6)	160,426	-	160,426
Obligations under capital lease (Note 6)	364,381	-	364,381
Total current liabilities	1,257,726	225,225,855	226,483,581
Noncurrent liabilities:			
Tuition benefits payable (Note 6 and 8)	-	1,916,085,288	1,916,085,288
Compensated absences (Note 1L and 6)	474,710	-	474,710
Obligations under capital lease (Note 6)	5,708,086	-	5,708,086
Total noncurrent liabilities	6,182,796	1,916,085,288	1,922,268,084
Total liabilities	7,440,522	2,141,311,143	2,148,751,665
NET POSITION			
Net investment in capital assets	3,485,965	-	3,485,965
Unrestricted	11,938,661	507,897,487	519,836,148
Total net position	$ 15,424,627	$ 507,897,487	$ 523,322,114

The notes to financial statements are an integral part of this statement.

VIRGINIA529
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUND
For the Year Ended June 30, 2014

	Administration and Operations	prePAID	Total Enterprise
Operating revenues:			
Charges for sales and services (Note 1D)	$ 47,077,289	$ -	$ 47,077,289
Interest, dividends, rents, and other investment income	-	151,659,078	151,659,078
Net increase in fair value of investments	-	102,064,778	102,064,778
prePAID contract payments (Note 1G)	-	117,455,849	117,455,849
Actuarial prePAID contract payments (Note 8)	-	(10,548,987)	(10,548,987)
Other	157	-	157
Total operating revenues	47,077,446	360,630,718	407,708,164
Operating expenses:			
Personal services	8,770,080	-	8,770,080
Fiscal and Contractual services	7,351,086	-	7,351,086
Supplies and materials	34,368	-	34,368
Depreciation	522,278	-	522,278
Rent, insurance, and other related charges	132,851	-	132,851
Tuition benefits expense	-	132,765,872	132,765,872
Actuarial tuition benefits expense (Note 8)	-	(48,648,987)	(48,648,987)
Expendable equipment	426,598	-	426,598
SOAR Virginia (Note 11)	2,000,000	-	2,000,000
Other	146,009	-	146,009
Total operating expenses	19,383,270	84,116,885	103,500,155
Operating gain	27,694,176	276,513,833	304,208,009
Non-operating interest expense	(153,122)	-	(153,122)
Transfers:			
Transfers to the General Fund of the Commonwealth	(196,527)	-	(196,527)
Operating transfer in (out) (Note 1)	(26,520,232)	26,520,232	-
Change in net position	824,295	303,034,065	303,858,360
Net position - July 1, 2013	14,600,332	204,863,422	219,463,754
Net position - June 30, 2014	$ 15,424,627	$ 507,897,487	$ 523,322,114

The notes to financial statements are an integral part of this statement.

VIRGINIA529
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2014

Cash flows from operating activities:		
Receipts for sales and services	$	46,312,303
Contributions Received		116,567,385
Internal Activity - Payments to Other Funds		(346,826)
Payments to Suppliers for Goods & Services		(841,232)
Payments to Employees		(8,765,932)
Other Operating Revenue		157
Payments for Contractual Services		(7,008,605)
Distributions		(132,456,493)
Other Operating Expenses		(2,880,282)
Net cash provided by (used for) operating activities	$	10,580,475
Cash flows from noncapital financing activities:		
Transfer to the General Fund of the Commonwealth		(196,527)
Net cash provided by (used for) noncapital financing activities	$	(196,527)
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	$	(132,564)
Payment of Principal and Interest on Capital Leases		(533,500)
Net cash provided by (used for) capital and related financing activities	$	(666,064)
Cash flows from investing activities:		
Purchase of investments	$	(2,049,421,216)
Proceeds from sales or maturities of investments		1,873,459,723
Interest income on cash, cash equivalents, and investments		151,659,079
Net cash provided by (used for) investing activities	$	(24,302,414)
Net increase in cash and cash equivalents		(14,584,530)
Cash and cash equivalents - July 1, 2013		75,204,923
Cash and cash equivalents - June 30, 2014	$	60,620,393
Reconciliation of cash and cash equivalents:		
Per the Statement of Net Position:		
Cash and cash equivalents	$	75,204,922
Cash and cash equivalents per the Statement of Cash Flows	$	60,620,393

Reconciliation of operating income to net cash provided by operating activities:	
Operating gain	$ 304,208,009
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	522,278
Interest, dividends, rents and other investment income	(151,659,078)
Net increase in fair value of investments	(102,064,778)
Changes in assets and liabilities:	
(Increase) decrease in receivables	(2,434,803)
(Increase) decrease in tuition contributions receivable	10,548,987
(Increase) Decrease in assets	(55,753)
Increase (decrease) in accounts payable	509,206
Increase (decrease) in amounts due to program participants	(32,782)
Increase (decrease) in current tuition benefits payable	15,212,682
Increase (decrease) in current compensated absences	(3,808)
Increase (decrease) current obligations under capital lease	(15,999)
Increase (decrease) in noncurrent tuition benefits payable	(63,861,669)
Increase (decrease) in noncurrent compensated absences	72,364
Increase (decrease) non current obligations under capital lease	(364,381)
Net cash provided by (used for) operating activities	$ 10,580,475

Noncash investing, capital, and financing activities:	
The following transaction occurred prior to the statement of net position date:	
Change in fair value of investments	$ 102,064,778

The notes to financial statements are an integral part of this statement.

VIRGINIA529
STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND
June 30, 2014

Assets:	
Cash and cash equivalents (Note 1E and 2)	$ 19,785,591
Receivables:	
Interest and dividends	1,805,994
Accounts Receivable	1,923
Investments:	
Bonds	78,022,705
Mutual funds - Non Index	667,183,807
Mutual funds - Index	1,474,323,605
Stable Value	476,361,568
Equities	99,618,318
Total investments	2,795,510,003
Total Assets	2,817,103,511
Liabilities:	
Accounts payable	712,339
Other Adjustments	72,548
Due to program participants (Note 1K)	3,819,299
Program distributions payable	1,823,618
Total liabilities	6,427,804
Net position held in trust for program participants	$ 2,810,675,707

The notes to financial statements are an integral part of this statement.

VIRGINIA529
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND
For the Year Ended June 30, 2014

ADDITIONS	
Contributions:	
From participants	$ 353,154,082
Total contributions	353,154,082
Investment income:	
Net increase in fair value of investments	259,127,456
Interest, dividends, and other investment income	68,120,087
Other	167
Total investment income	327,247,710
Less investment expense	(4,461,760)
Net investment income	322,785,950
Total additions	675,940,032
DEDUCTIONS	
Educational expense benefits	148,333,269
Shares redeemed	17,414,297
Other Expenses	1,381,417
Total deductions	167,128,983
Changes in net position	508,811,049
Net position:	
July 1, 2013	2,301,864,658
June 30, 2014	$ 2,810,675,707

The notes to financial statements are an integral part of this statement.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The Virginia College Savings Plan (VA529), a body politic and corporate and an independent agency of the Commonwealth of Virginia, was created in 1994 by the Virginia General Assembly and its enabling legislation is codified at §23-38.75 through §23-38.87:1 of the *Code of Virginia*, as amended. VA529 operates the Commonwealth's Internal Revenue Code (IRC) §529 qualified tuition plan, which offers four programs, Virginia529 prePAID (prePAID), Virginia529 inVEST (inVEST), CollegeAmerica and CollegeWealth.

prePAID is a defined benefit program, which offers contracts, at actuarially determined amounts, that provide for the future payment of undergraduate tuition for the normal full-time course load for students enrolled in a general course of study at any Virginia public higher educational institution and all mandatory fees required as a condition of enrollment of all students. The contract provisions also allow benefits to be used at in-state private or out-of-state institutions with payouts based on earnings and the amounts charged by Virginia's public higher education institutions. Calculations and payouts differ between in-state private and out-of-state institutions. prePAID has a limited enrollment period each year, and is open to children in the ninth grade or younger if the child or participant is a Virginia resident. Since inception, over 115,300 accounts have been opened, with 70,490 contracts remaining active at year-end. The program had total assets invested from contributions, net earnings and other revenue of approximately $2.4 billion as of June 30, 2014. The program invests contract payments to meet future obligations. Operating costs are paid from program earnings and other revenue. VA529 does not receive any general fund appropriations. VA529's enabling legislation provides that all moneys remaining in the enterprise fund at the end of a biennium shall not revert to the general fund. VA529 annually assigns net operating revenue to prePAID to support its funded status. Accordingly, net operating revenue of $26,520,231 was transferred to prePAID for FY2014. The program's assets and income are exempt from federal, state, and local income taxation, except for taxes on unrelated business income. VA529's enabling legislation also provides that a sum sufficient appropriation be included by the Governor in his budget to cover current obligations of VA529, including prePAID's contractual obligations, in the event of a funding shortfall.

inVEST is a defined contribution savings program, which allows participants of all ages to save for qualified higher education expenses, including tuition and fees, at any qualified higher education institution by making contributions into the investment portfolio(s) of their choice. Participants are allowed to select from among 17 investment portfolios. One additional portfolio remains open in the inVEST program but is closed to new participants. inVEST accounts are subject to investment risks, including the possible loss of principal. The inVEST program is open year round and has no age or residency restrictions. inVEST began operation in December 1999. As of June 30, 2014, 226,803 accounts had been opened, with 175,616 accounts remaining active at year end. These accounts had a net asset value of approximately $2.8 billion as of June 30, 2014. Investment management fees and inVEST operating expenses are paid on a pro-rata basis by each inVEST account owner and vary according to the portfolio selected. inVEST accounts provide investors with the same federal and state tax benefits available to participants in the prePAID program.

CollegeAmerica, a broker-sold IRC §529 college savings option, is a defined contribution savings program and is administered by the American Funds pursuant to a contract using 39 of the American Funds mutual funds. CollegeWealth is also a defined contribution savings program under which participants invest in FDIC-insured savings products offered through participating banks. CollegeAmerica and CollegeWealth are presented as Other Information. These programs are presented as Other Information as the majority of associated investment and record keeping is maintained by the respective partners, not VA529.

An eleven-member Board administers VA529, consisting of four ex-officio members and seven non-legislative citizens, four to be appointed by the Governor, one to be appointed by the Senate Committee on Rules, and two to be appointed by the Speaker of the House of Delegates. The ex-officio members are the Director of the State Council on Higher Education for Virginia, the Chancellor of the Virginia Community College System, the State Treasurer, and the State Comptroller. The non-legislative citizen members shall have significant experience in finance, accounting, law or investment management. In order to assist the Board in fulfilling its fiduciary duty with the investment of VA529 assets; and in fulfilling its responsibilities relating to VA529's financial reporting processes and internal and financial controls; the Board has appointed an Investment Advisory Committee (IAC) and Audit and Actuarial Committee (A&AC), respectively. The IAC and A&AC are permanent advisory committees of the Board pursuant to §23-38.79:1 of the *Code of Virginia*, as amended. The Board has adopted charters that describe the purpose of the committees as well as their duties and responsibilities, composition and conduct of business.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. VA529 is an integral part of the reporting entity of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The following is a summary of significant accounting policies employed by the VA529.

A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

B. Reporting Entity

The accompanying financial statements report the financial position, changes in financial position and cash flows of VA529 as of and for the fiscal year ended June 30, 2014. For financial reporting purposes, VA529 includes all funds and entities over which VA529 is financially accountable and exercises oversight authority.

C. College Savings Systems

College Savings Systems (CSS) is the software development and technical services division of VA529, which was formed in 2004. VA529 has an agreement with Ellucian (formerly SunGard Higher Education) to maintain the College Savings Program (CSP) module of the Banner software suite. CSS provides record keeping software and technical services to other savings and prepaid qualified tuition plans including Virginia. As of June 30, 2014, CSS also provided services to Colorado, Maryland, Texas, and Washington.

VA529's contracts with the aforementioned states have two components; maintenance fees and fees for additional services. The maintenance fees are annual charges assessed to support the Banner CSP module and continued development thereof, and benefits all users/clients. The programming fees are assessed to the states when providing specific software programming changes, at their request, to enhance or change application, contract, transaction or distribution processing; customer web access; or make other system enhancements. The programming fees vary year-to-year based on user/client needs.

CSS fee revenue is included in the enterprise fund as operating revenue. In accordance with the 2014 Appropriation Act, revenue from operations performed for programs outside of Virginia in fiscal 2014, exceeded all direct and indirect costs of providing the services.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

VA529 reports the activity of the prePAID program as an enterprise fund, which is a type of proprietary fund. Enterprise funds typically account for transactions related to resources received and used for financing self-supporting entities that offer products and services on a user-charge basis to external users. All operating expenses and all administrative fee revenue collected to support VA529 operations, including administrative revenue and expenses of inVEST, CollegeAmerica and CollegeWealth, are reflected in the enterprise fund.

VA529 reports the activity of the inVEST program as a private-purpose trust fund, which is a type of fiduciary fund. Private-purpose trust funds account for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments.

The financial statements of the proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating. The principal revenues of VA529 are prePAID contract payments for program participants and investment income. Expenses of VA529 include tuition benefits expenses.

VA529's operating component is presented in a separate column, providing transparency in reporting operating position and activity. Operating revenues include administrative and other fees received from CSS as well as the prePAID, inVEST, CollegeAmerica, and CollegeWealth programs. Operating expenses include contractual and personal services.

All proprietary funds reported herein apply all applicable GASB principles per the *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

E. Cash Equivalents and Investments

Money market investments of VA529, which are deemed short-term, highly liquid investments, are reported at amortized cost. Long-term investments of VA529 are reported at fair value based upon quoted market prices, except for stable value investments, which are reported at contract value. Cash equivalents are investments with an original maturity of three months or less.

VA529 also participated in the Commonwealth's General Account pool, which is managed by the State Treasurer. These pooled investments are valued on an amortized cost basis. VA529 receives no additional distribution of unrealized gains or losses in the fair values of the pool's investments.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. prePAID Contract Payments

prePAID contract purchasers can elect to pay their contract in full via a lump sum payment or over time. Customized financing options are available for purchasers electing to pay over time, allowing for payments to be spread over a period determined by the contract purchaser. Contracts must be paid in full prior to drawing benefits and accordingly the maximum number of years available for those purchasers electing to pay over time is approximately equal to the number of years between the beneficiary's current age and their expected college entrance date. prePAID contract payments receivable represent the actuarially determined present value of future payments due from contract holders.

Approximately 55.49 percent of contract holders of outstanding (active) contracts as of June 30, 2014 had elected to pay over time.

H. Accounts Receivable

Accounts receivable reflected in VA529 operating column of the enterprise fund reflect amounts due to VA529 at June 30th for administrative and other services provided. These amounts include second calendar quarter administrative fees collected on behalf of VA529 for the CollegeAmerica and the CollegeWealth programs, as well as CSS service fees.

The American Funds pays VA529 an annual fee equal to ten basis points (.10 percent) of the average daily net asset value of the underlying funds held in CollegeAmerica up to $30 billion. The fee is reduced to seven basis points (.07 percent) for amounts in excess of $30 billion up to $50 billion with further reductions above $50 billion. This fee is calculated and accrued daily and paid to VA529 on a quarterly basis.

CollegeWealth banking partners, Branch Banking & Trust (BB&T) and Union First Market Bank (UFM), pay VA529 an annual fee equal to ten basis points (.10 percent) of the average daily assets held in 529 Bank Products issued by the Bank under the Program. These fees are calculated, accrued and paid to VA529 on a quarterly basis.

I. Administrative Expenses and Budget

VA529 is an independent state agency that does not receive a general fund appropriation from the Commonwealth of Virginia. However, VA529's expenditures, funded with non-general fund revenues, are included in the Commonwealth's Appropriation Acts and accordingly are subject to approval by the General Assembly and the Governor. The Board annually reviews and approves an operating budget. Operating expenses are primarily funded from administrative fee revenue. VA529 prepares and submits a biennial budget to the Commonwealth in compliance with biennial budgetary requirements (cash basis). Also, in accordance with its fiduciary responsibility, the Board reviews a comparison of actual versus budgeted expenses each quarter.

J. Capital Assets

Tangible assets are recorded at cost at the time of acquisition and are reported net of accumulated depreciation. VA529 capitalizes all property, plant, and equipment that have a cost or value greater than $5,000 and an expected useful life greater than two years. Depreciation is computed on a straight-line basis over the estimated useful life of the property, ranging from five to forty years. Intangible assets with a value of $100,000 or greater are capitalized. These assets are depreciated over its useful life.

Intangible assets are nonfinancial in nature, lack physical substance and have an initial useful life extending beyond a single reporting period. These assets may be acquired by purchase or license, through non-exchange transactions or internally generated. These assets are also capital assets and adhere to the same policies of other property, plant and equipment. VA529 has recorded one type of intangible asset, computer software. These assets were acquired through retail purchases and/or internally generated, and are reported in Note 7, Capital Assets.

K. Amounts Due To Program Participants

Amounts due to program participants reflects accrued amounts due and payable at June 30, 2014 to participants for distributions to other qualified tuition programs, or for cancelled or overpaid prepaid contracts or savings accounts. In the Fiduciary Statement of Net Position, due to program participants also includes contributions received from participants that have yet to settle. These funds are classified as a liability until the settlement process is complete.

L. Accrued Leave Policy

Employees accrue annual leave at a rate of four to nine hours semi-monthly, depending on their length of service. Rates may vary for regular part-time employees depending on normal work hours. The maximum accumulation is dependent upon years of service, but in no case may it exceed 54 days. All employees leaving the agency are paid for accrued vacation leave up to a maximum limit, not to exceed 36 days for 15-19 years of service and 42 days for 20 or more years of service, at their current earnings rate.

In conformance with Section C60 of GASB Codification, the monetary value of accumulated annual leave payable upon termination is included in the accompanying financial statements. The liability at June 30, 2014, was computed using salary rates effective at that date and represents vacation and compensatory leave earned up to the allowable ceilings, including the liability for VA529's share of Social Security and Medicare taxes on leave balances for which employees will be compensated.

Employees of VA529 have elected to participate in the Virginia Sickness and Disability Program (VSDP). The Virginia Retirement System (VRS) administers the program to provide income protection for absences due to sickness or disability. For employees hired after July 1, 2009, there is a one year waiting period for VSDP and coverage is not provided from the first day on the job.

After a seven calendar-day waiting period following the first incident of disability, eligible employees receive short-term disability benefits ranging from 60 to 100 percent of compensation up to a maximum of 125 work days, based upon months of State service. After a 180 calendar-day waiting period (125 work days of short-term disability), eligible employees receive long-term disability benefits equal to 60 percent of compensation until they return to work, until age 65, or until death. Employees enrolled in this program are not eligible for disability retirement benefits under the VRS.

One employee, hired prior to January 1, 1999, opted to remain in the traditional sick leave program in which participating employees accrue five hours of leave for each pay period, regardless of the length of service. The employee is not covered under VSDP and remains eligible for disability retirement. Non-VSDP sick leave is payable upon termination of employment and is limited to 25 percent of the value accumulated or $5,000, whichever is less, under the Commonwealth of Virginia's sick leave pay-out policy for employees with five or more years of service.

All State agencies are required to contribute to the cost of providing disability benefits. Initial contribution requirements to fund the program were determined by the VRS actuary based on an estimate of the amount of the liability for disability benefits that would transfer from VRS to the new program. The contribution requirement was 1.78 percent of payroll for State employees. Further information about this program can be found in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

M. prePAID – Investment in Real Estate

On February 15, 2008, VA529 established Aventura Holdings LLC, a limited liability company, for the purpose of acquiring and owning real estate. VA529 is the sole member of Aventura. On March 20, 2008 VA529's Board approved adding Aventura as an investment vehicle under prePAID and the purchase by Aventura Holdings of a 48,500 square foot office building in Chesterfield County, Virginia. On April 18, 2008, VA529 funded Aventura with $8.8 million for the purpose of acquiring real estate and Aventura acquired the office building on April 22, 2008.

The investment in Aventura is reflected in prePAID's assets at $6.7 million as of fiscal year end. The value was determined by a professional real estate appraisal in June 2014.

VA529 leases the building from Aventura. The Lease was renewed by VA529 for another five years beginning July 1, 2013. The Lease is carried as a capital lease in the enterprise fund financial statements, as VA529 intends to renew the Lease every five years and occupy the building for a time period greater than 75% of the asset's useful life. Accordingly, the financial statements reflect the lease obligation as a liability and the office building as an asset in enterprise fund's financial statements. See the Long-Term Liabilities Note 6 below for a description of the Lease Agreement. Aventura has also established a renewal and replacement reserve funded from 27% of the annual rental payments received from VA529 to cover capital improvements to the building.

2. Cash, Cash Equivalents, and Investments

The Board of VA529 has established Statements of Investment Policy and Guidelines for VA529's investment programs in accordance with §23-38.80 of the *Code of Virginia*, as amended. This section of the *Code* requires the Board to discharge its duties in a manner which will provide the investment return and risk level consistent with the actuarial return requirements and cash flow demands of VA529 and conforming to all statutes governing the investment of VA529 funds. The Board shall exercise the judgment of care under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but to the permanent disposition of funds, considering the probable income as well as the probable safety of their capital when investing funds. In order to meet the return requirements, VA529's portfolio shall be invested in a broadly diversified investment portfolio including, but not limited to, domestic and foreign stocks, bonds, mutual funds and cash equivalent investments, which are defined as investments with an original maturity of three months or less. The Board's allocation target for the prePAID portfolio, at market value, is 32.5 percent equities, 25.0 percent core fixed income, 27.5 percent non-core fixed income, and 15 percent alternatives. The Board's allocation targets for the inVEST program vary according to the investment objective of each portfolio.

To assist the Board in fulfilling its fiduciary duty with the investment of VA529 assets, the Board has appointed an IAC. The IAC provides the Board with objective and prudent investment advice on all matters related to the management of investments, within the parameters set by the Board's Statement of Investment Policy and Guidelines. The Board has also selected a group of 26 external managers and/or funds. See complete lists of Investment Managers in Appendices A and B. In addition, prePAID contractual payments and inVEST contributions received from customers are considered Commonwealth revenue and as a result must pass through the State Treasury. Prior to being moved to VA529's custodian, these monies along with other minor balances may be invested with the State Treasurer as part of the Commonwealth's General Account. VA529 receives no interest on balances held at the State Treasury and accordingly minimizes amounts held at Treasury. During fiscal 2014, legislation was passed that excludes inVEST contributions as Commonwealth revenue beginning July 1, 2014.

The Board has authorized its partner, the American Funds, to offer a subset of their mutual funds to investors in CollegeAmerica. At fiscal year-end, 39 mutual funds were available through the CollegeAmerica program. The Board has oversight and review authority for the investment activity and operations of the CollegeAmerica program. The American Funds is required to seek renewed approval of the use of these mutual funds on an annual basis.

Private Equity Investment Commitments

In fiscal year 2014, VA529 extended investment commitments under limited partnership agreements for private equity investments in prePAID. At June 30, 2014, VA529's investment commitments amounted to $146,136,505.

Custodial Credit Risk

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, VA529's deposits may not be returned to it. VA529 does not hold deposits for CollegeAmerica or CollegeWealth. All deposits of the prePAID and inVEST programs are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400, of the *Code of Virginia*.

Custodial Credit Risk – Investments: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, VA529 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2014, all investments of the prePAID and inVEST programs, except those investments in open-end mutual funds, private equity or hedge funds, were held in VA529's name by VA529's custodian, BNY Mellon Asset Servicing. Approximately 67 percent of total prePAID investments (reported as enterprise fund assets) and 77 percent of total inVEST investments (reported as a private-purpose trust fund) are invested in these vehicles. All investments of the CollegeAmerica program are invested in mutual funds. Investments in open-end mutual funds, private equity and hedge funds are not directly exposed to custodial credit risk because their existence is not evidenced by individual securities.

Interest Rate Risk – Fixed Income Securities

As of June 30, 2014, VA529 had fixed income investment securities held in prePAID and inVEST with the following maturities and effective duration. Effective duration is a measure of interest rate and price sensitivity that takes into account options, such as early call provisions, embedded in the securities. It is widely used in the management of fixed income portfolios as it quantifies the risk of interest rate changes.

prePAID		Investment Maturities (in Years)				Duration
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**	**Effective Duration (years)**
Money Market Funds	$55,787,365	$55,787,365	-	-	-	-
Non-Agency Mortgage-Backed Securities	5,175,435	976,170	-	-	$4,199,265	0.04
Asset-Backed Securities	1,100,238	831,085	-	-	269,153	0.00
Corporate Bonds	422,710,882	1,521,108	$183,484,492	$233,927,369	3,777,913	3.96
Convertible Securities	99,388,906	9,466,099	70,391,818	7,190,525	12,340,464	-
Bond Funds	430,817,212	-	98,689,904	332,127,308	-	6.29
Treasury and Agency Securities	220,730	220,730	-	-	-	11.05
Stable Value[1]	111,161,607	-	111,161,607	-	-	3.41
Total	**$1,126,362,375**	**$68,802,557**	**$463,727,821**	**$573,245,202**	**$20,586,795**	**-**

inVEST		Investment Maturities (in Years)				Duration
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**	**Effective Duration (years)**
Money Market Funds	$17,266,884	$17,266,884	-	-	-	-
Corporate Bonds	78,022,705	415,830	$29,036,344	$46,917,423	$1,653,108	3.96
Bond Funds	393,449,885	-	238,857,811	154,592,074	-	6.05
Stable Value[1]	476,361,569	-	476,361,569	-	-	3.07
Total	**$965,101,043**	**$17,682,714**	**$744,255,724**	**$201,509,497**	**$1,653,108**	**-**

[1]Reported at contract value

VA529's Statements of Investment Policy and Guidelines do not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Although not an explicit requirement, duration of fixed income portfolios, if applicable, is expected to be within +/-20 percent of each portfolio's designated benchmark.

Credit Risk of Fixed Income Securities

VA529's Statements of Investment Policy and Guidelines require its fixed income securities managers to invest in holdings which, on average, are comprised of high quality securities and may not include securities deemed to be below investment grade. Investment grade is generally defined as a rating of BBB or above by one of the three major rating agencies. This requirement does not apply to VA529's managers who are instructed to manage a specific high-yield fixed income investment strategy, whether in a separate account or as a dedicated allocation within a broader fixed income portfolio. VA529's fixed income investment securities held in prePAID and inVEST as of June 30, 2014 were rated by Standard & Poor's and/or Moody's and the ratings are presented in the charts entitled credit quality by investment type.

Concentration of Credit Risk

At June 30, 2014, VA529 had no investment securities held in separately managed accounts in prePAID and inVEST in any one issuer that represented 5 percent or more of total investments.

Mutual Fund Risks

At June 30, 2014, VA529 participated in a number of open-end domestic and foreign equity and fixed income mutual funds in prePAID and inVEST. These funds are subject to various investment risks, including the possibility that the value of the fund's portfolio holdings may fluctuate in response to events specific to the companies in which the fund invests, as well as economic, political or social events in the United States and abroad. Certain mutual funds may be subject to additional risks due to investments in a more limited group of sectors and industries than the broad market. Those funds with holdings issued by entities based outside the United States are subject to foreign securities risks, including currency fluctuations.

The value of and the income generated by fixed income securities held by certain mutual funds in which VA529 participates, may be affected by changing interest rates and credit risk assessments. Lower quality or longer maturity bonds may be subject to greater price volatility than higher quality or shorter maturity bonds.

Prospectuses for each of the mutual funds in which VA529 participates may be requested from VA529, 9001 Arboretum Parkway, North Chesterfield, VA 23236, or at Virginia529.com. A prospectus may also be requested directly from each of the underlying fund managers. Prospectuses for each CollegeAmerica mutual fund offering may be obtained directly from the American Funds or from a financial adviser. Please see Supplementary and Other Information for a listing of prePAID, inVEST and CollegeAmerica mutual funds.

Currency Risk

Currency risk is the risk that changes in currency exchange rates will adversely affect the fair value, in U.S. dollars (USD), of non-USD denominated securities. At June 30, 2014, VA529 had indirect exposure to this risk through its investments in certain mutual funds and other pooled vehicles. More information relating to currency risk in VA529's mutual fund investments can be found in each fund's prospectus.

VA529 has direct exposure to currency risk through investments held in the convertible bonds account managed by Advent Capital Management, LLC. Advent invests in both domestic and international securities and uses currency forward contracts to hedge risks associated with currency fluctuations. The table below shows exposures to non-USD denominated currencies by asset class. A similar exhibit showing non-USD denominated currency exposure associated with the forward contracts is included in Note 3, Investment in Derivative Instruments and Stable Value.

prePAID Currency Exposures by Asset Class			
Currency	Convertible Bonds	Cash & Cash Equivilants	Total
British Pound Sterling	$2,029,814	$76,440	$2,106,254
Euro Currency Unit	23,576,113	181,827	23,757,940
Hong Kong Dollar	4,590,296	2,078,789	6,669,085
Japanese Yen	4,057,376	6,869	4,064,245
Swedish Krona	1,645,060	1,496	1,646,556
Swiss Franc	1,705,062	92,942	1,798,004
Total	**$37,603,721**	**$2,438,363**	**$40,042,084**

Note: Amounts shown in U.S. dollars using June 30, 2014 foreign exchange rates.

Counterparty Risk

Counterparty risk is the risk of loss arising from the failure of one party to a transaction to fulfill its contractual obligation to the other. VA529 has exposure to counterparty risk through its investments. Higher levels of this risk are attributable to VA529's investments in hedge funds, as these types of investments are subject to the potential usage of over the counter derivatives transactions. Other potential examples of risk for over the counter transactions may include transaction costs/inefficiencies/errors, fraud or reputation risk. As of June 30, 2014 approximately 9 percent of prePAID investments were invested in these vehicles.

Rating Agency	inVEST Credit Quality by Investment Type			
Standard & Poor's Quality Rating	Corporate Bonds	Money Market Funds	Bond Funds	Stable Value
AAA	-	$17,266,884	-	-
BBB+	-	-	-	-
BBB	$388,906	-	-	-
BBB-	1,896,880	-	-	-
BB+	9,909,827	-	-	-
BB	15,208,562	-	-	-
BB-	17,585,201	-	-	-
B+	10,308,540	-	-	-
B	8,374,997	-	-	-
B-	7,673,627	-	-	-
Less than B-	5,359,401	-	-	-
Moody's Quality Rating				
Baa2	-	-	-	-
Ba2	136,750	-	-	-
Ba3	182,408	-	-	-
Unrated[1]	997,606	-	$393,449,885	$476,361,569

[1]Securities have not been rated by either Moody's or Standard & Poor's

Rating Agency	prePAID Credit Quality by Investment Type							
Standard & Poor's Quality Rating	Non-Agency Mortgage Backed Securities	Asset-Backed Securities	Corporate Bonds	Convertibles	Money Market Funds	Bond Funds	Treasury and Agency Securities	Stable Value
AAA	-	-	$ 401	-	$ 55,787,365	-	-	-
AA+	-	-	-	-	-	-	$ 220,730	-
AA-	-	-	-	$ 1,106,500	-	-	-	-
A+	$ 146,748	$ 469,662	-	5,825,164	-	-	-	-
A	-	-	-	3,045,545	-	-	-	-
A-	-	-	-	10,209,140	-	-	-	-
BBB+	207,341	-	-	8,269,753	-	-	-	-
BBB	-	-	1,213,782	17,661,642	-	-	-	-
BBB-	-	-	6,077,366	3,517,686	-	-	-	-
BB+	-	-	33,583,316	1,828,810	-	-	-	-
BB	-	-	53,958,392	1,554,375	-	-	-	-
BB-	320,360	-	76,619,004	2,882,483	-	-	-	-
B+	-	-	66,957,525	796,650	-	-	-	-
B	-	54,775	85,762,363	1,060,638	-	-	-	-
B-	-	-	32,723,299	-	-	-	-	-
Less than B-	3,839,633	575,801	32,451,767	-	-	-	-	-
Moody's Quality Rating								
Aa3	-	-	-	1,027,500	-	-	-	-
Ba1	-	-	-	1,024,727	-	-	-	-
Ba2	-	-	383,125	-	-	-	-	-
Ba3	-	-	521,328	-	-	-	-	-
B1	-	-	1,006,228	-	-	-	-	-
B2	-	-	1,764,949	681,426	-	-	-	-
Less than B2	417,577	-	603,000	-	-	-	-	-
Unrated [1]	243,776	-	29,085,037	38,896,867	-	$430,817,212	-	$111,161,607

[1]Securities have not been rated by either Moody's or Standard & Poor's

3. Investment Derivative Instruments and Stable Value

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires that VA529 disclose its exposure to investment derivative instruments and certain investments described as synthetic guaranteed investment contracts.

A) Investment Derivatives:

Pursuant to the Statements of Investment Policy and Guidelines established for VA529's investment programs, investments in derivative securities are prohibited except where specifically permitted in the investment manager agreement for a separate account or prospectus for a fund. The Board may permit managers in certain asset classes to use derivatives consistent with the overall investment guidelines and objectives of that asset class. As of June 30, 2014, two separate account managers were permitted to use derivatives as shown in the table below.

Program	Manager	Asset Class
prePAID	Prudential Investment Management, Inc.	High Yield Fixed Income
inVEST	Prudential Investment Management, Inc.	High Yield Fixed Income
prePAID	Advent Capital Management, LLC	Convertible Bonds

(i) Derivatives held in Prudential Investment Management Account

Pursuant to its investment management agreement, Prudential Investment Management may invest in derivatives for hedging, duration and cash management. The portfolio's exposure to derivatives, as measured on a net market value basis, is limited to 10 percent of the market value of the high yield account. At June 30, 2014, both the inVEST and prePAID Prudential accounts held credit default swaps. The following two tables contain information relating fair value, changes in fair value, notional value and credit risk relating to these derivative instruments. In aggregate, the fair value of these derivatives was $703,438 as of June 30, 2014. Concentration of credit risk relating to these derivatives did not equate to a significant percentage of the inVEST or prePAID program's total assets.

Investment Derivatives – Credit Default Swaps

	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	**Amount**	**Classification**	**Amount**	**Notional Amount**
Enterprise Fund	Revenue	$271,979	Investment	$502,115	$5,375,000
Fiduciary Fund	Revenue	$138,125	Investment	$201,323	$2,125,000

Aggregate Credit Risk by Counterparty as of June 30, 2014

Counterparty	Fair Value	Collateral	Credit Rating (S&P)
Bank of America, N.A.	$608,698	$710,716	A
Barclays Bank PLC	94,740	-	A
Total	$703,438	$710,716	

(ii) *Derivatives held in Advent Capital Management Account*

Pursuant to its investment management agreement, Advent Capital Management, LLC may invest in derivatives for hedging purposes or for the use of efficient portfolio management. Synthetic positions are not allowed and the use of derivatives should not be considered as an alpha generator. Advent primarily uses forward foreign exchange contracts to hedge the value of investments denominated in non-US dollar currencies. Credit risk of exchange traded currency contracts lies with the clearinghouse of the exchange at which the contracts are traded, while credit risk of currency contracts traded over the counter lies with the counterparty. Counterparty risk exposure is generally equal to the unrealized gain on in-the-money contracts. The following table contains a breakdown of these forward contracts by currency.

prePAID Currency Forwards				
Currency	**Cost**	**Foreign Exchange Purchases**	**Foreign Exchange Sales**	**Market Value**
British Pound Sterling	$2,192,954	-	($2,221,915)	($2,221,915)
Euro Currency Unit	23,743,915	$753,177	(24,553,577)	(23,800,400)
Hong Kong Dollar	6,734,237	-	(6,732,357)	(6,732,357)
Japanese Yen	4,043,999	-	(4,048,689)	(4,048,689)
Swedish Krona	1,679,433	-	(1,668,578)	(1,668,578)
Swiss Franc	1,801,544	-	(1,816,295)	(1,816,295)
US Dollar	(40,196,082)	40,946,062	(749,980)	40,196,082
Total	**$ -**	**$41,699,240**	**($41,791,391)**	**($92,151)**

Note: Amounts shown in U.S. dollars using June 30, 2014 foreign exchange rates.

B) Stable Value:

GASB Statement No. 53 defines stable value investment vehicles as synthetic guaranteed investment contracts. Stable value funds are invested in a high quality, diversified, intermediate term, fixed income portfolio that is protected against interest rate volatility by wrap or investment contracts from banks and insurance companies that guarantee the payment of benefits at book value (cost plus accrued interest) which enables the entire investment to be carried at its book value. VA529 utilizes stable value investments in both the prePAID and inVEST programs. VA529's stable value investments meet the definition of fully benefit-responsive synthetic guaranteed investment contracts and are reported at contract value. At June 30, 2014, VA529 had the following stable value investments outstanding in the respective programs as shown in the table below.

Program	Wrap Provider	Notional Amount	Effective Date	Maturity Date	Crediting Rate
prePAID	American General Life	$36,053,396	2/21/2014	Open ended	1.29%
	ING Life & Annuity*	51,694,448	12/3/2002	Open ended	2.21%
	State Street Bank	23,413,763	5/1/2002	Open ended	2.63%
inVEST	American General Life	$121,381,988	1/16/2014	Open ended	1.13%
	ING Life & Annuity*	74,852,910	12/3/2002	Open ended	2.88%
	ING Life & Annuity*	109,247,925	10/5/2012	Open ended	0.77%
	Prudential Retirement Insur	121,140,991	1/30/2014	Open ended	1.77%
	State Street Bank	49,737,754	5/1/2002	Open ended	2.60%

*ING Life & Annuity was rebranded to Voya Investment Management as of September 1, 2014

At June 30, 2014, the fair value of the underlying investments for both prePAID and inVEST exceeded the book value (notional amount) of the wrap contracts. The book value of the wrap contracts provides a guaranteed minimum value that program participants would receive upon liquidation, and therefore it would have a separate fair value only in the circumstance that the fair value of the associated underlying investment pool fell below the book value of the wrap contracts. In that case the fair value of the wrap contracts would be the amount required to bring the total value of the stable value investments up to the book value of the wrap contracts. Therefore, there is no separate fair value associated with the wrap contracts as of June 30, 2014.

In the prePAID program, the fair value of the stable value investments at June 30, 2014, was $114,438,011.

prePAID - Stable Value Components	Fair Value
Underlying Investments	$114,438,011
Wrap Contracts	-
Total	$114,438,011

In the inVEST program, the fair value of the stable value investments at June 30, 2014, was $486,916,519.

inVEST - Stable Value Components	Fair Value
Underlying Investments	$486,916,519
Wrap Contracts	-
Total	$486,916,519

4. Securities Lending Transactions

A portion of the balance sheet line item Cash and Cash Equivalents represents cash held in the General Account of the Commonwealth and thus represents VA529's allocated share of securities received for securities lending transactions conducted therein. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. VA529 receives no interest on balances held at the State Treasury. Accordingly, VA529 did not share in any gain or loss on securities lending transactions during fiscal 2014.

5. Commitments

VA529 is committed under operating leases for business equipment and building space rental. The equipment lease is for a three-year term. The space rental is for one year, automatically renewing each year. In both cases, VA529 expects that in the normal course of business, these leases will be renewed or replaced by similar leases. Rental expense for the fiscal year ended 2014 was $277,272.

As of June 30, 2014, VA529 had the following total future minimum rental payments due under the above leases.

Fiscal Year	Amount
2015	$ 221,293
2016	204,496
2017	112,612
2018	115,942
2019	119,406
Total future minimum rental payments	$ 773,749

6. Long-Term Liabilities

Long-term liabilities include tuition benefits payable, capital lease payments, and compensated absences.

A. Tuition Benefits Payable

This liability represents the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for prePAID.

B. Capital Lease

On July 1, 2013, VA529 entered into the first 5-year extension of its Lease Agreement with Aventura Holdings, LLC under which it leases a 48,500 square foot office building through June 30, 2018. The Lease provides for two additional 5-year renewal options. Pursuant to the Lease, VA529 will make base rent payments as reflected below on an annual basis in advance, and will make additional rent payments on a quarterly basis in advance in an amount sufficient to pay building operating costs for the next quarter. Aventura has entered into an agreement with a property management company for the purpose of providing facilities maintenance, grounds keeping, custodial services, etc. The additional rent payments will cover operating costs incurred by Aventura under the property management agreement. At the end of each quarter, VA529 and Aventura reconcile expenses before funding operating expenses for the subsequent quarter.

Base Rent Periods [1]	Annual Base Rent
FY14	$ 533,500
FY15	546,838
FY16	560,508
FY17	574,521
FY18	588,884

(1) 2015 rent at $11.00 psf with a 2.5% annual escalator.

Future Minimum Lease Payments [2]	Amount
FY 2019	$ 603,606
FY 2020 - FY 2024	3,252,072
FY 2025 - FY 2029	3,679,421
FY 2030 - FY 2034	4,162,927
FY 2035 - FY 2039	4,709,970
FY 2040 - FY 2044	5,328,898
FY 2045 - FY 2048	4,763,054

(2) Future minimum lease payments calculated with a 2.5% annual escalator and are subject to change upon renegotiation of the lease. See Note 1M – prePAID Investment in Real Estate.

Aventura has also established a renewal and replacement reserve funded from 27% of the annual rental payments received from VA529 to cover capital improvements to the building. The reserve funding schedule is set forth below.

Base Reserve Periods	Annual Reserve Funding
July 1, 2013 – June 30, 2014	$145,500
July 1, 2014 – June 30, 2015	149,138
July 1, 2015 – June 30, 2016	152,866
July 1, 2016 – June 30, 2017	156,688
July 1, 2017 – June 30, 2018	160,605

C. Compensated Absences

Compensated Absences represent the long-term liability for accrued annual, sick or disability credits, compensatory, overtime, on-call, recognition and other leave for all leave-eligible employees employed on June 25, 2014. Long-term leave liability is further apportioned as current or noncurrent based on whether they are estimated to be due within one year or due greater than one year, respectively.

Changes in long-term liabilities are shown below:

Enterprise Fund	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	$ 566,580	$ 397,857	$ 329,301	$ 635,136	$ 160,426
Tuition benefits payable	2,189,078,342	70,652,169	119,301,156	2,140,429,355	224,344,067
Capital lease obligation	6,452,848	-	380,378	6,072,470	364,381
Total	$2,196,097,770	$71,050,026	$120,010,835	$2,147,136,961	$224,868,874

7. Capital Assets

The following schedule presents capital asset activity of VA529 for the year ended June 30, 2014.

Enterprise Fund	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Depreciable capital assets:				
Equipment	$1,749,585	$ 132,562	$ -	$ 1,882,147
Software	1,038,466	-	-	1,038,466
Building *	8,800,000	-	-	8,800,000
Total depreciable capital assets	11,588,051	132,562	-	11,720,613
Less accumulated depreciation:				
Equipment	993,150	180,235	-	1,173,385
Software	183,621	103,847	-	287,468
Building	463,132	238,196	-	701,328
Total accumulated depreciation	1,639,903	522,278	-	2,162,181
Net depreciable capital assets	9,948,148	(389,716)	-	9,558,432
Total net capital assets	$9,948,148	$(389,716)	$ -	$ 9,558,432

* Asset purchased under a capital lease.

8. Summary of Actuarial Assumptions and Methods

VA529's statute requires that it annually determine the actuarial soundness of prePAID. VA529 has assumed that actuarially sound, when applied to prePAID, means that VA529 has sufficient assets (including the value of future installment payments due under current prePAID contracts) to cover the actuarially estimated value of the tuition obligations under those contracts, including any administrative costs associated with those contracts.

The two most significant assumptions used to prepare prePAID's actuarial valuation report and contract pricing are the rates of investment return and future tuition growth. In addition, there are other assumptions the actuary employs in the actuarial valuation and contract pricing. In the summer of 2014, Milliman, VA529's actuary, completed an experience study which examined prePAID transactions over a ten-year period from July 2003 through June 2013. The purpose of the study was to evaluate actual transaction history to determine whether the assumptions used (other than the investment return and future tuition growth) should be revised based on actual experience. The assumptions tested included (i) contract cancellations and rollovers, including transfers to inVEST which were primarily utilized to provide the maximum benefit to those students attending lower-priced Virginia schools; (ii) the proportion of payouts going to Virginia universities and community colleges; (iii) the year, relative to the expected matriculation year, in which benefits were first used; and (iv) the cost of payouts to Virginia universities and community colleges relative to enrollment-weighted average tuition. As a result of the experience study, the Board adopted several changes in the assumptions in August 2014, which were incorporated into the 2014 actuarial valuation report and the 2015-16 enrollment period contract pricing. The changes in the assumptions had a positive impact on the funded position. The following assumptions, reflecting the changes approved by the Board, were used in the actuarial valuation for June 30, 2014:

Investment Rate of Return: 6.75 percent per annum.

Projected Tuition Increase: The assumed tuition increase rates used in the current and prior year's valuations are outlined in the table below.

	Universities		Community Colleges	
	Current assumption	Prior assumption	Current assumption	Prior assumption
Fall 2015	7.5%	7.5%	7.5%	7.5%
Fall 2016 and thereafter	7.5%	7.5%	7.5%	7.5%

Cancellations, Rollovers and Transfers: It is assumed that .5 percent of contracts will be cancelled, etc. each year for beneficiaries ages 0 through 17. It is assumed that 5.0 percent of contracts will be cancelled, etc. each year for beneficiaries ages 18 and higher.

Attendance and Bias: It is assumed that of the remaining contracts that will be redeemed to pay for tuition, 80 percent of beneficiaries will attend a public university in Virginia, 8 percent will attend a private university in Virginia and 12 percent will attend a university in another state. Weighted average tuition for four-year public universities and two-year community colleges in Virginia was adjusted with 8 percent and 1 percent loads, respectively, to add a bias for attendance at more expensive schools. The highest tuition for a public university in Virginia was assumed to be 50 percent higher than weighted average tuition. Out-of-state students are assumed to receive a benefit equal to the payments made on the contract plus interest at the composite reasonable rate of return.

Utilization: It is assumed that participants will begin utilizing their contract at actuarially determined rates, and then redeem one year of tuition per year until the contract is depleted. While some participants redeem contracts and utilize benefits in the year of expected matriculation, many delay redeeming units until later years. The assumptions as to when participants will begin using contracts were adjusted slightly based on the experience study.

Expenses: The expenses included in the present value of future obligations are those relating to Annual Maintenance Expense per Contract of $52.39 and Annual Distribution Cost per Contract in Payment Status of $23.19. These expenses are developed by VA529 staff and are assumed to increase annually at the rate of inflation plus 0.5 percent.

The actuarial prePAID contract payments and the actuarial tuition benefits expense line items represent the annual accrual of contract payments receivable and the obligation for distribution expenses determined by the actuarial valuation. At June 30, 2014, the accrual of the actuarially determined prePAID contract payments receivable and the accrual of the tuition benefits payable both decreased over the prior year. The decrease in the receivable resulted in negative actuarial prePAID contract payments reported as a reduction in operating revenue. The decrease in the payable resulted in negative actuarial prePAID tuition benefit expenses reported as a reduction in operating expenses.

Actuarial Valuation Results

	2014	2013	Change
prePAID contract payments receivable	$217,829,355	$228,378,342	$ (10,548,987)
Tuition benefits payable	$2,140,429,355	$2,189,078,342	$ (48,648,987)

9. Retirement and Pension Plan

Employees of VA529 are employees of the Commonwealth of Virginia. The employees participate in one of two defined benefit pension plans or a hybrid retirement plan administered by the Virginia Retirement System (VRS). The three different benefit plans, Plan 1, Plan 2, and Hybrid have differing eligibility and benefit structures. Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, credible service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013. Plan 2 is structured similarly to Plan 1 with a different formula for the retirement benefit. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010 and they were not vested as of January 1, 2013. The Hybrid Retirement Plan combines the features of a defined benfit plan and a defined contribution plan. The defined benefit is based on a member's age, credible service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. Most members hired on or after January 1, 2014 are in this plan. The VRS also administers life insurance for employees and retirees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report. The Commonwealth, not VA529, has overall responsibility for determining contributions to these plans.

Upcoming GASB Pronouncements: GASB Statement No. 68, *Financial Reporting for Pensions,* was issued to improve the accounting and financial reporting for pensions by state and local governments. The standard will change the accounting perspective from a funding basis to reporting pension liability and expense. A significant change in reporting through the implementation of this standard will be an additional liability on the Statement of Net Position representing VA529's proportionate share of the unfunded pension liability associated with its pension plan. VA529 will adopt this pronouncement in the fiscal year ending June 30, 2015.

10. Risk Management

VA529 is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. VA529 participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, faithful performance of duty bond, automobile, and airplanes. VA529 pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

VA529's information technology disaster recovery site is provided through a co-location agreement. The co-location has a fully equipped network environment as well as multiple direct-access Internet feeds necessary to facilitate recovery of mission critical VA529 systems. VA529 also has a co-location agreement in place to provide alternate office space for periods of one business day to four weeks in the event that VA529 no longer has access to its primary office facilities.

11. SOAR Virginia

VA529's Board approved the creation and funding of SOAR Virginia® as a pilot program in fiscal 2010. SOAR Virginia is an early commitment scholarship program created to inspire and assist high school students to reach their post-secondary education goals. To participate, eligible students pledge to meet program requirements. In return, participating students receive a range of assistance and accumulate scholarship support up to $2,000 to apply toward their post-secondary education expenses. SOAR Virginia is a unique program created by VA529 to further its mission to make college more affordable and accessible to all Virginians and is offered in partnership with local Virginia college access providers.

The Board approved initial funding of $2 million per fiscal year beginning in 2011 and continuing through 2014 into an inVEST account in the name of VA529 for the development of the pilot program. As of June 30, 2014, $8 million had been deposited in the SOAR account. Amounts deposited, plus earnings thereon, remain in the account until distributed. Amounts will be allocated to students once awarded pursuant to program rules. VA529 will not commit support in excess of amounts on-hand in the SOAR Virginia account. As of June 30, 2014, the SOAR Virginia account had a balance of $8.31 million. During fiscal year 2014 $33,000 was distributed to institutions on behalf of SOAR participants. Details as to the number of students enrolled in the pilot program and amounts committed as of June 30, 2014 are shown below.

Number of Students Enrolled (1)	Award Amounts Allocated to Enrolled Students	Additional Awards Enrolled Students May Receive	Total SOAR Commitment
1,079	$876,921	$1,130,000	$2,006,921

(1) Number of students that have completed a SOAR application and pledge, and have been admitted to and are currently enrolled in the program

12. Scholarship Program And Promotional Accounts

The VA529 scholarship program consists of prePAID and inVEST third party scholarship accounts (excluding SOAR Virginia) established to provide a range of benefits to future beneficiaries. The purpose of the program is to enable individuals, organizations, community groups, corporations, and trusts to make qualified charitable contributions, which are used to purchase prePAID and inVEST accounts for beneficiaries. VA529's scholarship program's mission is to work with community partners to make the dream of college a reality for deserving youth in Virginia.

In addition to scholarship accounts, VA529 awards prePAID or inVEST promotional accounts that do not specifically qualify as scholarships as defined by federal law. Like scholarship accounts, these accounts are funded by VA529, individuals, organizations, school groups, or other entities.

Active scholarship (excluding SOAR) and promotional accounts at June 30, 2014:

Program	Scholarship		Promotional	
	Accounts	Value	Accounts	Value
inVEST	294	$933,233	185	$958,645
prePAID	25	$442,196	24	$321,548

prePAID value represents the cancellation value of accounts at June 30, 2014
inVEST value represents the aggregate market value of the investments in the portfolios at June 30, 2014

13. Unrelated Business Income Tax

As a qualified tuition program under IRC §529, VA529 is subject to tax on unrelated business income. VA529 invests in certain agreements and funds that may produce unrelated business income. As such, VA529 may pay taxes on unrelated business income. During fiscal year 2014 VA529 paid no taxes as there was no reportable unrelated business income during the prior fiscal year. VA529 will determine and pay its unrelated business income tax liability, if any, for fiscal 2014 after it receives all Schedule K-1s at the end of calendar 2014.

Supplementary
Information

APPENDIX A

Mutual Funds by Program

Virginia529 prePAID℠

Aberdeen Asset Management, Inc.	Emerging Market Equity Fund
BlackRock, Inc.	T-Fund (Cash and Equivalents)
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Franklin Templeton Investments	Templeton Foreign Equity Series
The Vanguard Group, Inc.	Institutional Index Fund
The Vanguard Group, Inc.	Intermediate-Term Corporate Bond Index
The Vanguard Group, Inc.	Mortgage-Backed Securities Index

Virginia529 inVEST℠

Aberdeen Asset Management, Inc.	Emerging Market Equity Fund
Capital Research & Management Co.	American Funds EuroPacific Growth Fund
Franklin Templeton Investments	Templeton Foreign Equity Series
Morgan Stanley Institutional Fund, Inc.	Institutional Global Real Estate Fund
Parnassus Investments	Core Equity Fund
Stone Harbor Investment Partners LP	Emerging Market Debt Fund
The Vanguard Group, Inc.	Institutional Index Fund
The Vanguard Group, Inc.	Small Cap Index Fund
The Vanguard Group, Inc.	LifeStrategy Growth Fund
The Vanguard Group, Inc.	LifeStrategy Moderate Growth Fund
The Vanguard Group, Inc.	LifeStrategy Income Fund
The Vanguard Group, Inc.	Total Stock Market Index Fund
The Vanguard Group, Inc.	Total Bond Market Index Fund
The Vanguard Group, Inc.	Total International Stock Index Fund
The Vanguard Group, Inc.	Inflation-Protected Securities Fund
The Vanguard Group, Inc.	REIT Index Fund

APPENDIX B

Separate Account, Commingled Fund & Alternative Managers by Program

Virginia529 prePAID℠

Investment Manager	Investment Strategy
Adams Street Partners	Private Equity Fund of Funds
Advent Capital Management, LLC	Convertible Fixed Income
Aether Investment Partners, LLC	Private Equity Fund of Funds
Aurora Investment Management, LLC	Market Neutral Hedge Fund of Funds
Commonfund	Private Equity Fund of Funds
Donald Smith & Co.	Small Cap Value Domestic Equity
Ferox Capital, LLP	Convertible Fixed Income
Harmonic Capital Partners	Global Macro Hedge Fund
Invesco Advisers, Inc.	Stable Value Fixed Income
Private Advisors, LLC	Private Equity Fund of Funds
Prudential Investment Management, Inc.	High Yield Fixed Income
Shenkman Capital Management, Inc.	Senior Secured Bank Loans
State Street Global Advisors	Indexed US Inflation Protected Securities
Stone Harbor Investment Partners LP	Emerging Market Debt Blend
Thompson, Siegel & Walmsley, LLC	SMID Cap Value Domestic Equity
UBS Realty Investors, LLC	Private Real Estate
Wellington Management Co., LLP	Emerging Market Debt
Westfield Capital Management Co., LP	Mid Cap Growth Domestic Equity

Virginia529 inVEST℠

Investment Manager	Investment Strategy
Invesco Advisers, Inc.	Stable Value Fixed Income
Prudential Investment Management, Inc.	High Yield Fixed Income
Rothschild Asset Management	SMID Cap Value Domestic Equity

Appendix C
Investment Details by Program as of June 30, 2014
Virginia529 prePAID[SM]

Investment Manager	Asset Class	Mutual Fund(s) (if applicable)	Aggregate Fair Value[3]	% of Total Fund[1]
Equities				
Aberdeen Asset Management, Inc.	Emerging Market	Emerging Market Equity	$ 194,182,658	8.1%
Capital Research & Management Co.	International Core	American Funds EuroPacific Growth	126,232,708	5.3%
Donald Smith & Co.	Small Cap Value	N/A	53,722,637	2.2%
Franklin Templeton Investments	International Value	Templeton Foreign Equity Series	125,572,239	5.2%
The Vanguard Group, Inc.	Large Cap Domestic Blend	Institutional Index	109,742,948	4.6%
Thompson, Siegel & Walmsley, LLC	Small/Mid Cap Value	N/A	86,157,200	3.6%
Westfield Capital Management Co., LP	Mid Cap Growth	N/A	123,727,164	5.2%
Total Equities			*819,337,554*	*34.2%*
Core Fixed Income				
BlackRock, Inc.[2]	Cash Equivalents	T-Fund	187,367	0.0%
Invesco Advisers, Inc.[3]	Stable Value	N/A	116,599,948	4.9%
Shenkman Capital Management, Inc.	Senior Secured Bank Loans	N/A	209,275,700	8.7%
State Street Global Advisors	Inflation Protected Securities	N/A	118,125,995	4.9%
The Vanguard Group, Inc.	Intermediate Corporate Bonds	Intermediate-Term Corporate Bond Index	74,039,598	3.1%
The Vanguard Group, Inc.	Mortgage-Backed Securities	Mortgage-Backed Securities Index	72,739,341	3.0%
Treasurer of Virginia	Cash Equivalents	N/A	847,669	0.0%
VA529 Transition Account	N/A	N/A	723,318	0.0%
Total Core Fixed Income			*592,538,936*	*24.7%*
Non-Core Fixed Income				
Advent Capital Management, LLC	Convertible Bonds	N/A	105,668,998	4.4%
Ferox Capital, LLP	Convertible Bonds	N/A	68,820,374	2.9%
Prudential Investment Management, Inc.	High Yield Bonds	N/A	233,583,240	9.7%
Stone Harbor Investment Partners LP	Emerging Markets Debt Blend	Emerging Markets Debt & Local Markets	71,454,738	3.0%
Wellington Management Co., LLP	Emerging Markets Debt	N/A	172,416,104	7.2%
Total Non-Core Fixed Income			*651,943,454*	*27.2%*
Alternative Investments				
Adams Street Partners	Private Equity Fund of Funds	N/A	26,146,440	1.1%
Aether Investment Partners, LLC	Private Equity Fund of Funds	N/A	1,351,566	0.1%
Aurora Investment Management, LLC	Hedge Fund of Funds	N/A	123,202,940	5.1%
Aventura Holdings, LLC	Private Real Estate	N/A	7,219,869	0.3%
Commonfund	Private Equity Fund of Funds	N/A	3,709,029	0.2%
Harmonic Capital Partners	Hedge Fund	N/A	84,540,144	3.5%
Private Advisors, LLC	Private Equity Fund of Funds	N/A	19,939,302	0.8%
UBS Realty Investors, LLC	Private Real Estate	N/A	68,388,556	2.9%
Total Alternative Investments			*334,497,846*	*13.9%*
Grand Total			*$ 2,398,317,790*	*100.0%*

[1]May not total 100% due to rounding. [2]BlackRock, Inc. operating cash in the amount of $28,499,720 is not included in the total above. [3]Stable value assets shown at contract value.

Investment Details by Program as of June 30, 2014

Virginia529 inVEST℠

Investment Manager	Asset Class	Mutual Fund (if applicable)	Aggregate Fair Value[1]
Age-Based Evolving Portfolios			
Aberdeen Asset Management, Inc.	Emerging Markets Equity	Emerging Market Equity Fund	$ 122,460,676
Capital Research & Management Co.	International Core Equity	American Funds EuroPacific Growth	127,569,503
Franklin Templeton Investments	International Value Equity	Templeton Foreign Equity Series	126,195,063
Invesco Advisers, Inc.	Stable Value	N/A	489,201,125
Morgan Stanley Institutional Fund, Inc.	Global REITs	Institutional Global Real Estate Fund	139,295,391
Prudential Investment Management, Inc.	High Yield Bonds	N/A	80,111,719
Rothschild Asset Management	Small/Mid Cap Domestic Equity	N/A	101,554,262
Stone Harbor Investment Partners LP	Emerging Markets Debt	Emerging Market Debt Fund	133,165,642
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	215,798,403
The Vanguard Group, Inc.	Large-Cap Domestic Equity Blend	Institutional Index Fund	273,965,097
The Vanguard Group, Inc.	Small Cap Domestic Equity Blend	Small Cap Index Fund	67,407,847
Total Age-Based Evolving Portfolios			*1,876,724,728*
Static Portfolios			
Parnassus Investments	Socially Responsible Large Cap Core Equity	Core Equity Fund	18,497,531
The Vanguard Group, Inc.	80% Equities 20% Fixed Income	LifeStrategy Growth Fund	364,746,892
The Vanguard Group, Inc.	60% Equities 40% Fixed Income	LifeStrategy Moderate Growth Fund	159,506,813
The Vanguard Group, Inc.	20% Equities 80% Fixed Income	LifeStrategy Income Fund	51,152,692
The Vanguard Group, Inc.	Inflation Protected Securities	Inflation-Protected Securities Fund	21,426,432
The Vanguard Group, Inc.	Real Estate Investment Trust	REIT Index Fund	30,396,426
The Vanguard Group, Inc.	Intermediate Core Fixed Income	Total Bond Market Index Fund	23,059,408
The Vanguard Group, Inc.	International Equity	Total International Stock Index Fund	67,550,408
The Vanguard Group, Inc.	Domestic Equity Blend	Total Stock Market Index Fund	199,313,187
Total Static Portfolios			*935,649,789*
Grand Total			*$ 2,812,374,517*

Cash held with the Treasurer of Virginia as well as with BNY Mellon (custodian) in the amount of $2,921,078 is not included in the total above.

[1]Stable value assets shown at contract value

Other Information

CollegeAmerica®

CollegeAmerica, a broker-sold IRC §529 college savings option, was launched on February 15, 2002. CollegeAmerica is a defined contribution savings program administered by Capital Research and Management Company, American Funds Distributors, Inc., and American Funds Service Company, Inc. (together, the American Funds) pursuant to a contract. The American Funds acts as program manager and provides all back office and operational services for the program. As a result of this structure, VA529's staff has minimal day-to-day administrative responsibility, other than program oversight and review. VA529 has contracted these services with American Funds through February 15, 2040.

As of June 30, 2014, 39 American Funds mutual funds were approved by VA529 and available through the program. A complete list is shown in the tables on the following pages. In December 2013 the Board approved the addition of the American Funds' Developing World Growth and Income Fund. This fund was available to investors in March 2014 and ended the fiscal year with approximately $484.21 million in assets. CollegeAmerica is available year round and has no age or residency restrictions. Accounts are subject to market risk, including the possible loss of principal. As of June 30, 2014, approximately 2.12 million unique active accounts were open with net assets in excess of $47.5 billion. American Funds defines unique active accounts as unique open account numbers at period end. Fees and expenses of the program are also paid on a pro-rata basis by each account owner and vary according to the fund and share class selected.

A separate audited report for each of the 39 funds offered in the CollegeAmerica program is published annually by the American Funds. Each of the funds has a different year ending date, so these audited reports are published throughout the year. An individual fund audit report includes that fund's results for all share classes offered in the fund, including the IRC §529 share classes created for the CollegeAmerica program. The individual fund reports are available in their entirety from the American Funds. A summary of the 529 Share Class Net Assets as of Fund Fiscal Year End and at June 30, 2014 for each fund are presented in the following charts.

CollegeAmerica
529 Share Class Net Assets as of Fund Fiscal Year End (dollars and shares in thousands)

Fund	Shares	Net Assets	Fiscal Year End
Growth funds			
AMCAP Fund®	59,168	$ 1,656,144	02/28/14
EuroPacific Growth Fund®	35,959	1,749,158	03/31/14
The Growth Fund of America®	163,024	6,420,041	08/31/13
The New Economy Fund®	11,963	465,762	11/30/13
New Perspective Fund®	51,443	1,854,116	09/30/13
New World Fund®	17,951	1,052,548	10/31/13
SMALLCAP World Fund®	27,129	1,302,937	09/30/13
Growth-and-income funds			
American Mutual Fund®	25,252	862,879	10/31/13
Capital World Growth and Income Fund®	87,386	3,889,284	11/30/13
Developing World Growth and Income Fund℠	N/A	N/A	11/30/14
Fundamental Investors℠	42,017	2,181,213	12/31/13
International Growth and Income Fund℠	4,872	177,795	06/30/14
The Investment Company of America®	73,721	2,699,232	12/31/13
Washington Mutual Investors Fund℠	59,834	2,409,895	04/30/14
Equity-income funds			
Capital Income Builder®	51,017	2,970,588	10/31/13
The Income Fund of America®	95,322	1,866,731	07/31/13
Balanced funds			
American Balanced Fund®	155,151	3,783,250	12/31/13
American Funds Global Balanced Fund℠	7,625	230,152	10/31/13
Bond funds			
American High-Income Trust℠	48,326	542,312	09/30/13
The Bond Fund of America℠	118,643	1,471,454	12/31/13
Capital World Bond Fund®	29,782	604,383	09/30/13
Intermediate Bond Fund of America®	42,570	570,332	08/31/13
Short-Term Bond Fund of America℠	41,832	415,873	08/31/13
U.S. Government Securities Fund℠	19,544	267,192	08/31/13
American Funds Mortgage Fund℠	2,598	25,556	08/31/13
Money market fund			
American Funds Money Market Fund®	1,096,838	1,096,883	09/30/13
American Funds College Target Date Series funds			
American Funds College 2015 Fund℠	19,430	195,241	10/31/13
American Funds College 2018 Fund℠	27,433	291,540	10/31/13
American Funds College 2021 Fund℠	25,304	277,546	10/31/13
American Funds College 2024 Fund℠	20,403	230,023	10/31/13
American Funds College 2027 Fund℠	14,432	167,732	10/31/13
American Funds College 2030 Fund℠	12,040	143,838	10/31/13
American Funds College Enrollment Fund℠	6,766	66,953	10/31/13
American Funds Portfolio Series℠ funds			
American Funds Global Growth Portfolio℠	4,638	64,371	10/31/13
American Funds Growth Portfolio℠	9,498	132,743	10/31/13
American Funds Growth and Income Portfolio℠	15,885	202,129	10/31/13
American Funds Balanced Portfolio℠	11,814	146,761	10/31/13
American Funds Income Portfolio℠	6,463	73,918	10/31/13
American Funds Preservation Portfolio℠	5,877	58,242	10/31/13

Data compiled from American Funds audited fund statements

CollegeAmerica
529 Share Class Net Assets as of June 30, 2014 (dollars and shares in thousands)

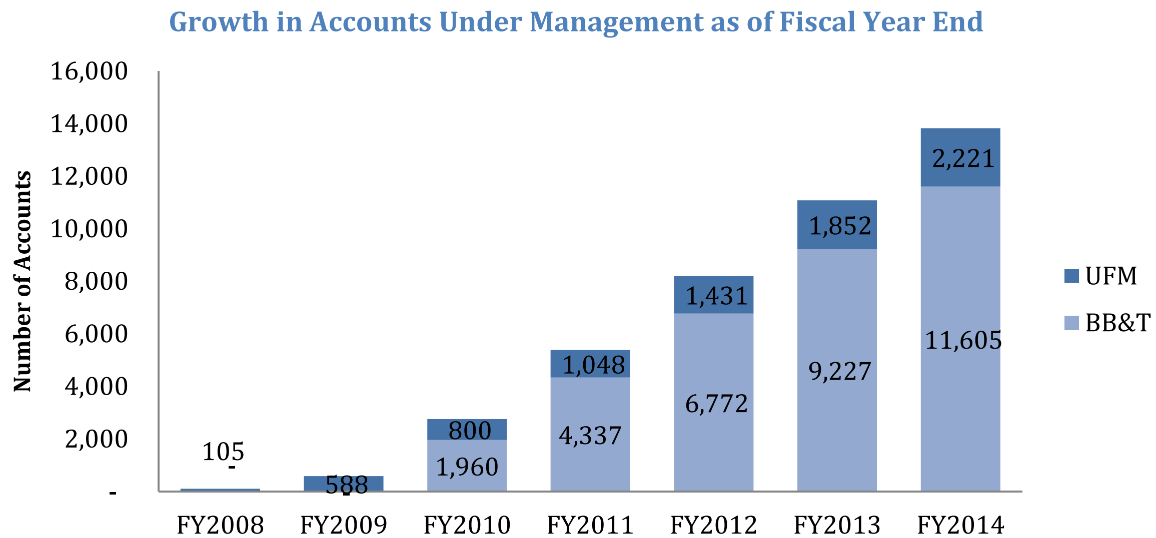
Fund	Shares	Net Assets
Growth funds		
AMCAP Fund®	64,577	$ 2,037,485
EuroPacific Growth Fund®	36,100	1,390,777
The Growth Fund of America®	143,952	6,248,459
The New Economy Fund®	24,552	578,656
New Perspective Fund®	56,216	2,227,017
New World Fund®	15,036	849,730
SMALLCAP World Fund®	22,746	1,089,371
Growth-and-income funds		
American Mutual Fund®	57,473	2,302,393
Capital World Growth and Income Fund®	72,994	3,467,914
Developing World Growth and Income Fund℠	16,078	484,205
Fundamental Investors℠	48,983	2,611,558
International Growth and Income Fund℠	7,515	346,210
The Investment Company of America®	87,377	2,952,970
Washington Mutual Investors Fund℠	56,107	2,308,547
Equity-income funds		
Capital Income Builder®	47,793	2,681,211
The Income Fund of America®	106,929	2,128,520
Balanced funds		
American Balanced Fund®	116,708	3,052,572
American Funds Global Balanced Fund℠	10,427	235,630
Bond funds		
American High-Income Trust℠	44,217	643,582
The Bond Fund of America℠	112,541	1,975,649
Capital World Bond Fund®	22,793	620,148
Intermediate Bond Fund of America®	45,479	1,209,136
Short-Term Bond Fund of America℠	37,111	398,308
U.S. Government Securities Fund℠	20,661	423,636
American Funds Mortgage Fund℠	9,614	103,844
Money market fund		
American Funds Money Market Fund®	903,623	1,006,432
American Funds College Target Date Series funds		
American Funds College 2015 Fund℠	25,452	273,537
American Funds College 2018 Fund℠	34,123	383,771
American Funds College 2021 Fund℠	33,296	389,436
American Funds College 2024 Fund℠	28,879	417,035
American Funds College 2027 Fund℠	21,871	382,030
American Funds College 2030 Fund℠	31,880	793,806
American Funds College Enrollment Fund℠	18,005	194,792
American Funds Portfolio Series℠ funds		
American Funds Global Growth Portfolio℠	23,123	153,207
American Funds Growth Portfolio℠	203,040	370,285
American Funds Growth and Income Portfolio℠	75,332	300,419
American Funds Balanced Portfolio℠	64,609	242,635
American Funds Income Portfolio℠	11,829	151,542
American Funds Preservation Portfolio℠	13,381	139,180
Total Assets		**$ 47,565,634**

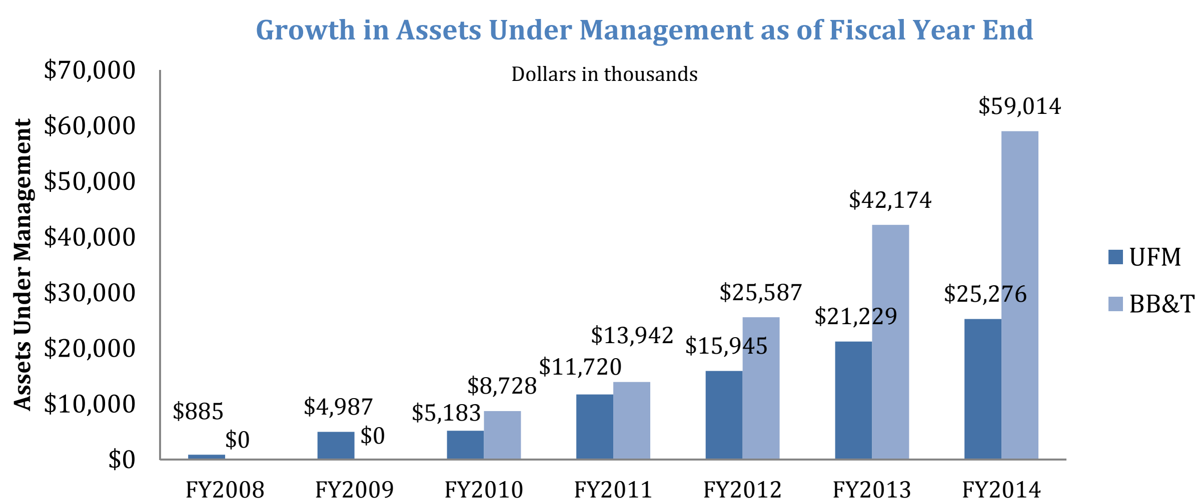
Data compiled from American Funds reports. Figures may not foot due to rounding

CollegeWealth®

CollegeWealth is VA529's FDIC-insured defined contribution 529 college savings program, provided in partnership with two participating financial institutions; BB&T and Union First Market Bank. Each CollegeWealth college savings account with a value up to $250,000 (when combined with any other holdings of an individual at any one bank) is insured by the FDIC. CollegeWealth began in the autumn of 2007 with Union First Market Bank (UFM) as VA529's first banking partner. In the autumn of 2009, VA529 added Branch Banking and Trust (BB&T) Corporation as a banking partner in an effort to significantly expand the availability of CollegeWealth within and outside of the Commonwealth. The partnership made CollegeWealth available throughout Virginia and across the country. As of June 30, 2014 there were 13,826 unique active accounts with net assets in excess of $84 million. Unique active accounts represent all active accounts at period end. The net assets represented amounts held in savings instruments at the participating banks and were thus not subject to fair market value adjustments at year end.

Since its inception, the CollegeWealth program has continued to grow. The charts below provide details on the growth in the number of accounts and assets for the program.





VIRGINIA COLLEGE SAVINGS PLAN
N. Chesterfield, Virginia