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COLLEGE FOUNDATION, INC.

June 30, 2013 and 2012

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KWH Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
College Foundation, Inc.
Raleigh, North Carolina

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of College Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College Foundation, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 24 to the financial statements, the financial statements have been restated to correct a misstatement. Our opinions for both June 30, 2013 and 2012 were not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules on pages 6 through 11 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013 on our consideration of College Foundation, Inc.'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 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 College Foundation, Inc.'s internal control over financial reporting and compliance.

Koonce, Wooten & Haywood, L.L.P.

Raleigh, North Carolina
December 30, 2013

STATEMENTS OF FINANCIAL POSITION

COLLEGE FOUNDATION, INC.
Statements of Financial Position (As Restated)
June 30, 2013 and 2012

ASSETS

	2013	
	Unrestricted	Temporarily Restricted
CURRENT ASSETS:		
Cash and Cash Equivalents (Notes 1F and 23)	$ 15,108,560	$
Service Fees Receivable (Note 1G)	8,127,086	
Other Accounts Receivable (Note 1H)	1,718,888	
Accrued Interest Receivable	18,605	
Education Loans:		
Foundation--Owner and Holder (Notes 1I, 2, and 8)	122,000	
N.C. College Savings and Investment Program Accounts (Note 1K)		30,028
Unamortized Lease Commission (Notes 1M and 14)	26,169	
Prepaid Expenses	1,535,453	
Total Current Assets	26,656,761	30,028
PROPERTY AND EQUIPMENT (Notes 1L and 6)	18,017,640	
OTHER ASSETS:		
Cash and Cash Equivalents--Board Designated (Notes 1F, 12, and 23)	2,200,838	
Education Loans:		
Foundation--Owner and Holder (Notes 1I, 2, and 8)	1,166,114	
Note Receivable (Note 1J and 4)	100,000	
Single Premium Income Annuity (Note 19)	11,346	
N.C. College Savings and Investment Program Accounts (Note 1K)	331,901	11,238
Deferred Compensation (Note 16)	103,565	
Unamortized Lease Commission (Notes 1M and 14)	52,338	
Prepaid Expenses	355,130	
Total Other Assets	4,321,232	11,238
Total Assets	$ 48,995,633	$ 41,266

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted
CURRENT LIABILITIES:		
Accounts Payable	$ 1,746,212	$
Accrued Salary and Annual Leave	749,961	
Deferred Service Fee Revenue (Note 1N)	1,981,464	
Deferred Compensation Payable (Note 16)	13,791	
Other	672,508	
Total Current Liabilities	5,163,936	
LONG-TERM LIABILITIES:		
Deferred Compensation Payable (Note 16)	146,720	
Accrued Postretirement Benefit Obligation (Note 17)	1,692,561	
Contingency for Uninsured Loans (Notes 1O and 5B)	5,400,000	
Total Long-Term Liabilities	7,239,281	
Total Liabilities	12,403,217	
NET ASSETS (Note 11)	36,592,416	41,266
Total Liabilities and Net Assets	$ 48,995,633	$ 41,266

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

		2012			
Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$	$ 15,108,560	$ 18,065,614	$	$ 187,170	$ 18,252,784
	8,127,086	6,663,609			6,663,609
	1,718,888	1,491,918			1,491,918
	18,605	25,216			25,216
	122,000	101,000		34,000	135,000
	30,028				
	26,169	26,170			26,170
	1,535,453	1,531,875			1,531,875
	26,686,789	27,905,402		221,170	28,126,572
	18,017,640	18,643,333			18,643,333
	2,200,838	2,149,402			2,149,402
	1,166,114	957,835		330,534	1,288,369
	100,000	100,000			100,000
	11,346	11,192			11,192
555,000	898,139	234,040	36,997		271,037
	103,565	76,368			76,368
	52,338	78,507			78,507
	355,130	177,694			177,694
555,000	4,887,470	3,785,038	36,997	330,534	4,152,569
$ 555,000	$ 49,591,899	$ 50,333,773	$ 36,997	$ 551,704	$ 50,922,474

$	$ 1,746,212	$ 1,978,334	$	$	$ 1,978,334
	749,961	648,993			648,993
	1,981,464				
	13,791	13,505			13,505
	672,508	425,858			425,858
	5,163,936	3,066,690			3,066,690
	146,720	133,314			133,314
	1,692,561	5,152,252			5,152,252
	5,400,000	6,100,000			6,100,000
	7,239,281	11,385,566			11,385,566
	12,403,217	14,452,256			14,452,256
555,000	37,188,682	35,881,517	36,997	551,704	36,470,218
$ 555,000	$ 49,591,899	$ 50,333,773	$ 36,997	$ 551,704	$ 50,922,474

STATEMENTS OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Statements of Activities (As Restated)
For The Years Ended June 30, 2013 and 2012

	2013	
	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS:		
Revenues:		
Service Fees (Notes 1A and 2)	$ 30,234,561	$
Interest Income (Note 1K, 3, 4, and 13)	36,158	4,269
Rental Income (Note 15)	196,794	
Reduction in Contingency for Uninsured Loans (Notes 1O and 5B)	700,000	
Curtailment Gain--Postretirement Defined Benefit Plan (Note 17)	6,980,112	
Miscellaneous	9,269	
Total Revenues	38,156,894	4,269
Total Expenses (Note 21)	33,354,299	
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	4,802,595	4,269
NONOPERATING:		
Postretirement-Related Changes other than Net Periodic Postretirement Benefits Cost (Note 17)	(4,091,696)	
CHANGES IN NET ASSETS	710,899	4,269
NET ASSETS--Beginning of Year	35,881,517	36,997
NET ASSETS--End of Year	$ 36,592,416	$ 41,266

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

		2012			
Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$	$ 30,234,561	$ 27,426,711	$	$	$ 27,426,711
3,296	43,723	30,442		3,526	33,968
	196,794	199,422			199,422
	700,000	700,000			700,000
	6,980,112				
	9,269	939			939
3,296	38,164,459	28,357,514		3,526	28,361,040
	33,354,299	28,771,328			28,771,328
3,296	4,810,160	(413,814)		3,526	(410,288)
	(4,091,696)	1,602,333			1,602,333
3,296	718,464	1,188,519		3,526	1,192,045
551,704	36,470,218	34,692,998	36,997	548,178	35,278,173
$ 555,000	$ 37,188,682	$ 35,881,517	$ 36,997	$ 551,704	$ 36,470,218

COLLEGE FOUNDATION, INC.
Statements of Cash Flows (As Restated)
For The Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	$ 718,464	$ 1,192,045
Adjustments to Reconcile Changes in Net Assets		
to Net Cash Used by Operating Activities:		
Depreciation and Amortization	2,244,969	2,640,292
Amortization of Lease Commission	26,170	26,169
Education Loan Income Restricted for Permanent Endowment	(3,296)	
Changes In:		
Service Fees Receivable	(1,463,477)	(2,520,164)
Other Receivables	(226,970)	1,084,425
Accrued Interest Receivable	6,611	(17,463)
Education Loans	135,255	(690,498)
Prepaid Expenses	(181,014)	139,866
Accounts Payable	(232,122)	416,024
Accrued Salary and Annual Leave	100,968	495,700
Deferred Service Fee Revenue	1,981,464	(1,936,563)
Deferred Compensation Payable	(13,505)	(13,219)
Other Current Liabilities	246,650	(1,131,345)
Accrued Postretirement Benefit Obligation	(3,459,691)	(842,809)
Contingency for Uninsured Loans	(700,000)	(700,000)
Net Cash Used by Operating Activities	(819,524)	(1,857,540)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Note Receivable		(100,000)
Cash Value of Single Premium Income Annuity	(154)	1,083
Deposits to N.C. College Savings and Investment Program Accounts	(657,130)	(78,002)
Purchase of Property and Equipment	(1,619,276)	(1,761,946)
Net Cash Used by Investing Activities	(2,276,560)	(1,938,865)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Education Loan Income Restricted for Permanent Endowment	3,296	
Net Cash Provided by Financing Activities	3,296	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,092,788)	(3,796,405)
CASH AND CASH EQUIVALENTS--Beginning of Year	20,402,186	24,198,591
CASH AND CASH EQUIVALENTS--End of Year	$ 17,309,398	$ 20,402,186

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

DETAILED SCHEDULE OF FINANCIAL POSITION

COLLEGE FOUNDATION, INC.
Detailed Schedule of Financial Position (As Restated)
June 30, 2013

ASSETS

	Unrestricted	
	Operating Fund	Special Scholarship Fund
CURRENT ASSETS:		
Cash and Cash Equivalents (Notes 1F and 23)	$ 13,240,955	$ 20,000
Service Fees Receivable (Note 1G)	8,127,086	
Other Accounts Receivable (Note 1H)	1,684,903	
Accrued Interest Receivable	810	17,795
Education Loans:		
Foundation--Owner and Holder (Notes 1I, 2, and 8)		122,000
N.C. College Savings and Investment Program Accounts (Note 1K)		
Unamortized Lease Commission (Notes 1M and 14)	26,169	
Prepaid Expenses	1,535,453	
Interfund Receivables (Payables)	1,153,228	88,031
Total Current Assets	25,768,604	247,826
PROPERTY AND EQUIPMENT (Notes 1L and 6)	18,017,640	
OTHER ASSETS:		
Cash and Cash Equivalents--Board Designated (Notes 1F, 12 and 23)		2,200,838
Education Loans:		
Foundation--Owner and Holder (Notes 1I, 2, and 8)		1,166,114
Note Receivable (Note 1J and 4)	100,000	
Single Premium Income Annuity (Note 19)	11,346	
N.C. College Savings and Investment Program Accounts (Note 1K)		331,901
Deferred Compensation (Note 16)	103,565	
Unamortized Lease Commission (Notes 1M and 14)	52,338	
Prepaid Expenses	355,130	
Total Other Assets	622,379	3,698,853
Total Assets	$ 44,408,623	$ 3,946,679
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	$ 1,746,212	$
Accrued Salary and Annual Leave	749,961	
Deferred Service Fee Revenue (Note 1N)	1,981,464	
Deferred Compensation Payable (Note 16)	13,791	
Other	596,240	4,166
Total Current Liabilities	5,087,668	4,166
LONG-TERM LIABILITIES		
Deferred Compensation Payable (Note 16)	146,720	
Accrued Postretirement Benefit Obligation (Note 17)	1,692,561	
Contingency for Uninsured Loans (Notes 1O and 5B)	5,400,000	
Total Long-Term Liabilities	7,239,281	
Total Liabilities	12,326,949	4,166
NET ASSETS (Note 11)	32,081,674	3,942,513
Total Liabilities and Net Assets	$ 44,408,623	$ 3,946,679

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

		Temporarily Restricted			Permanently Restricted	
Special Nonassigned Loan Fund	Total Unrestricted	Special Scholarship Fund	Special Nonassigned Loan Fund	Total Temporarily Restricted	Special Nonassigned Loan Fund	Total
$ 1,847,605	$ 15,108,560	$	$	$	$	$ 15,108,560
	8,127,086					8,127,086
33,985	1,718,888					1,718,888
	18,605					18,605
	122,000					122,000
		25,759	4,269	30,028		30,028
	26,169					26,169
	1,535,453					1,535,453
(1,241,259)						
640,331	26,656,761	25,759	4,269	30,028		26,686,789
	18,017,640					18,017,640
	2,200,838					2,200,838
	1,166,114					1,166,114
	100,000					100,000
	11,346					11,346
	331,901	11,238		11,238	555,000	898,139
	103,565					103,565
	52,338					52,338
	355,130					355,130
	4,321,232	11,238		11,238	555,000	4,887,470
$ 640,331	$ 48,995,633	$ 36,997	$ 4,269	$ 41,266	$ 555,000	$ 49,591,899
$	$ 1,746,212	$	$	$	$	$ 1,746,212
	749,961					749,961
	1,981,464					1,981,464
	13,791					13,791
72,102	672,508					672,508
72,102	5,163,936					5,163,936
	146,720					146,720
	1,692,561					1,692,561
	5,400,000					5,400,000
	7,239,281					7,239,281
72,102	12,403,217					12,403,217
568,229	36,592,416	36,997	4,269	41,266	555,000	37,188,682
$ 640,331	$ 48,995,633	$ 36,997	$ 4,269	$ 41,266	$ 555,000	$ 49,591,899

DETAILED SCHEDULE OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Detailed Schedule of Activities (As Restated)
For The Year Ended June 30, 2013

	Operating Fund	Special Scholarship Fund	Unrestricted Special Nonassigned Loan Fund
OPERATING:			
Revenues:			
Service Fees (Notes 1A and 2):			
Trust, Bond and Escheat Loan Programs	$ 13,184,315	$	$
General Loan Program	38,585		
Special Loan Program	69,541		
Carolina Computing Initiative Program	137		
UNC Need-Based Grant Program	253,601		
N. C. Community College Grant Program	92,715		
N.C. College Savings and Investment Program	3,161,755		
College Foundation of North Carolina	5,358,464		
EXTRA Education Loan Program	549,821		
EXTRA MBA Loan Program	33,060		
College Funds Installment Payment Plan	42,905		
Education Lottery Scholarship Program	91,668		
School Services	2,539,330		
N.C. Need-Based Scholarship Program	116,038		
Direct Loan Program	3,860,451		
Management and Computer Services	849,890		
Other Program Services	17,367		
Total Service Fees	30,259,643		
Interest Income:			
Cash and Cash Equivalents		813	
Education Loan Borrowers		44,738	
U.S. Department of Education Interest Benefits (Note 3)		9,041	
U.S. Department of Education Special Allowance (Note 3)		855	
Borrower Interest Returned to U. S. Department of Education (Note 3)		(26,469)	
Note Receivable (Note 4)	3,319		
N.C. College Savings and Investment Program Accounts (Notes 1K and 13)		3,861	
Total Interest Income	3,319	32,839	
Rental Income (Note 15)	196,794		
Reduction in Contingency for Uninsured Loans (Notes 1O and 5B)	700,000		
Curtailment Gain--Postretirement Defined Benefit Plan (Note 17)	6,980,112		
Miscellaneous	7,135		2,134
Total Revenues	38,147,003	32,839	2,134

(Continued)

		Temporarily Restricted			Permanently Restricted	
Eliminations	Total Unrestricted	Special Scholarship Fund	Special Nonassigned Loan Fund	Total Temporarily Restricted	Special Nonassigned Loan Fund	Total
$	$ 13,184,315	$	$	$	$	$ 13,184,315
	38,585					38,585
25,082	44,459					44,459
	137					137
	253,601					253,601
	92,715					92,715
	3,161,755					3,161,755
	5,358,464					5,358,464
	549,821					549,821
	33,060					33,060
	42,905					42,905
	91,668					91,668
	2,539,330					2,539,330
	116,038					116,038
	3,860,451					3,860,451
	849,890					849,890
	17,367					17,367
25,082	30,234,561					30,234,561
	813					813
	44,738				3,703	48,441
	9,041				1,305	10,346
	855				85	940
	(26,469)				(1,797)	(28,266)
	3,319					3,319
	3,861		4,269	4,269		8,130
	36,158		4,269	4,269	3,296	43,723
	196,794					196,794
	700,000					700,000
	6,980,112					6,980,112
	9,269					9,269
25,082	38,156,894		4,269	4,269	3,296	38,164,459

DETAILED SCHEDULE OF ACTIVITIES

COLLEGE FOUNDATION, INC.
Detailed Schedule of Activities (As Restated)
For The Year Ended June 30, 2013

	Operating Fund	Special Scholarship Fund	Unrestricted Special Nonassigned Loan Fund
Expenses:			
Staff Salaries--Full-time or Half-time	$ 11,383,957	$	$
Part-time Assistance	1,443,916		
Payroll Taxes	862,825		
Staff Insurance Benefits	2,064,519		
Staff Retirement Benefits (Note 16)	379,623		
Net Periodic Postretirement Benefits (Note 17)	357,435		
Postretirement Contribution Expense (Note 17)	3,106,339		
Deferred Compensation Benefits (Note 16)	1,495		
Staff Training and Development	91,317		
Membership Fees and Other Expenses for Staff Benefit	42,921		
Staff Travel, Transportation and Subsistence	66,753		
Office Materials and Supplies	271,882		
Mail Delivery and Handling	1,238,995		
Telephone and Electronic Communications	384,417		
Heat, Lights and Water	178,294		
Building Operation	223,401		
Equipment Maintenance	693,750		
Software Maintenance and License Fees	1,564,428		
Legal Fees	44,851		
External Accounting and Auditing Fees	264,291		
Consultants' Fees	314,966		
Computerized Services	1,579,300		
Other Contracted Operational Services	1,339,531		2,912
Property Protection and Liability Insurance (Notes 18 and 19)	190,320		
Disaster Recovery Program	133,311		
Marketing and Advertising (Note 20)	2,924,618		
Miscellaneous Expenses	57,983		
Service Fees		25,082	
Depreciation and Amortization (Note 1L)	2,145,949		
Total Expenses (Note 21)	33,351,387	25,082	2,912
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	4,795,616	7,757	(778)
NONOPERATING:			
Postretirement-Related Changes other than Net Periodic Postretirement Benefits Cost (Note 17)	(4,091,696)		
CHANGES IN NET ASSETS BEFORE NET ASSETS TRANSFER	703,920	7,757	(778)
NET ASSETS TRANSFER (NOTE 12)	(226,756)	226,756	
CHANGES IN NET ASSETS	477,164	234,513	(778)
NET ASSETS--Beginning of Year	31,604,510	3,708,000	569,007
NET ASSETS--End of Year	$ 32,081,674	$ 3,942,513	$ 568,229

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

		Temporarily Restricted			Permanently Restricted	
Eliminations	Total Unrestricted	Special Scholarship Fund	Special Nonassigned Loan Fund	Total Temporarily Restricted	Special Nonassigned Loan Fund	Total
$	$ 11,383,957	$	$	$	$	$ 11,383,957
	1,443,916					1,443,916
	862,825					862,825
	2,064,519					2,064,519
	379,623					379,623
	357,435					357,435
	3,106,339					3,106,339
	1,495					1,495
	91,317					91,317
	42,921					42,921
	66,753					66,753
	271,882					271,882
	1,238,995					1,238,995
	384,417					384,417
	178,294					178,294
	223,401					223,401
	693,750					693,750
	1,564,428					1,564,428
	44,851					44,851
	264,291					264,291
	314,966					314,966
	1,579,300					1,579,300
	1,342,443					1,342,443
	190,320					190,320
	133,311					133,311
	2,924,618					2,924,618
	57,983					57,983
25,082						
	2,145,949					2,145,949
25,082	33,354,299					33,354,299
	4,802,595		4,269	4,269	3,296	4,810,160
	(4,091,696)					(4,091,696)
	710,899		4,269	4,269	3,296	718,464
	710,899		4,269	4,269	3,296	718,464
	35,881,517	36,997		36,997	551,704	36,470,218
$ 0	$ 36,592,416	$ 36,997	$ 4,269	$ 41,266	$ 555,000	$ 37,188,682

DETAILED SCHEDULE OF CASH FLOWS

COLLEGE FOUNDATION, INC.
Detailed Schedule of Cash Flows (As Restated)
For The Year Ended June 30, 2013

	Operating Fund	Special Scholarship Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	$ 477,164	$ 234,513
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	2,244,969	
Amortization of Lease Commission	26,170	
Education Loan Income Restricted for Permanent Endowment		
Changes In:		
Service Fees Receivable	(1,463,477)	
Other Receivables	(1,488,844)	141,747
Accrued Interest Receivable	(810)	5,585
Education Loans		(229,279)
Prepaid Expenses	(181,014)	
Accounts Payable	(232,122)	
Accrued Salary and Annual Leave	100,968	
Deferred Service Fee Revenue	1,981,464	
Deferred Compensation Payable	(13,505)	
Other Current Liabilities	470,917	(3,269)
Accrued Postretirement Benefit Obligation	(3,459,691)	
Contingency for Uninsured Loans	(700,000)	
Net Cash Provided (Used) by Operating Activities	(2,237,811)	149,297
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Value of Single Premium Income Annuity	(154)	
Deposits to N.C. College Savings and Investment Program Accounts		(97,861)
Purchase of Property and Equipment	(1,619,276)	
Net Cash Used by Investing Activities	(1,619,430)	(97,861)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Education Loan Income Restricted for Permanent Endowment		
Net Cash Provided by Financing Activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,857,241)	51,436
CASH AND CASH EQUIVALENTS--Beginning of Year	17,098,196	2,169,402
CASH AND CASH EQUIVALENTS--End of Year	$ 13,240,955	$ 2,220,838

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

Special Nonassigned Loan Fund	Total
$ 6,787	$ 718,464
	2,244,969
	26,170
(3,296)	(3,296)
	(1,463,477)
1,120,127	(226,970)
1,836	6,611
364,534	135,255
	(181,014)
	(232,122)
	100,968
	1,981,464
	(13,505)
(220,998)	246,650
	(3,459,691)
	(700,000)
1,268,990	(819,524)
	(154)
(559,269)	(657,130)
	(1,619,276)
(559,269)	(2,276,560)
3,296	3,296
3,296	3,296
713,017	(3,092,788)
1,134,588	20,402,186
$ 1,847,605	$ 17,309,398

SCHEDULE OF TRUSTEE AND AGENCY FUNDS
June 30, 2013

COLLEGE FOUNDATION, INC.
Schedule of Trustee and Agency Funds
June 30, 2013

ASSETS

	N.C. SEAA Loan Fund	Bank Assigned Loan Fund	Special Assigned Loan Fund
Cash and Cash Equivalents (Note 1F)	$ 8,234,140	$ 9,811	$
Accounts Receivable (Note 1H):			
Trustee and Agency Funds (Notes 1A and 22)	14,358,719		654,542
U. S. Department of Education (Note 3)		12,443	
College Foundation, Inc.	821	12	
Other			
Accrued Interest Receivable	42,075,495	63,009	86,268
Note Receivable--Other	2,165,625		
Education Loans:			
Foundation--Agent or Trustee (Notes 1I, 2, and 8)	2,630,310,290	6,692,031	9,845,952
Total Assets	$ 2,697,145,090	$ 6,777,306	$ 10,586,762

LIABILITIES

	N.C. SEAA Loan Fund	Bank Assigned Loan Fund	Special Assigned Loan Fund
Accounts Payable:			
Bank Overdraft	$	$	$ 628,242
Trustee and Agency Funds (Notes 1A and 22)	2,680,625,836	6,766,959	9,939,290
U. S. Department of Education (Note 3)	14,353,232		16,311
College Foundation, Inc.		10,347	2,919
Other	397		
Note Payable--Trustee and Agency Funds	2,165,625		
Total Liabilities	$ 2,697,145,090	$ 6,777,306	$ 10,586,762

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

Schedule 4

N.C. College Savings and Investment Program	UNC Need-Based Grant Program	N.C. Community College Grant Program	N.C. Education Lottery Scholarship Program	N.C. Need-Based Scholarship Program	Total
$ 1,228,676	$ 499,531	$ 405,305	$ 125,800	$ 313,932	$ 10,817,195
196,353					15,209,614
					12,443
					833
					42,224,772
					2,165,625
					2,646,848,273
$ 1,425,029	$ 499,531	$ 405,305	$ 125,800	$ 313,932	$ 2,717,278,755
$	$	$	$	$	$ 628,242
481,625	135,118	377,260	71,883	87,947	2,698,485,918
					14,369,543
706,055					719,321
237,349	364,413	28,045	53,917	225,985	910,106
					2,165,625
$ 1,425,029	$ 499,531	$ 405,305	$ 125,800	$ 313,932	$ 2,717,278,755

SCHEDULE OF TRUSTEE AND AGENCY FUNDS
June 30, 2012

COLLEGE FOUNDATION, INC.
Schedule of Trustee and Agency Funds
June 30, 2012

ASSETS

		N.C. SEAA Loan Fund		Bank Assigned Loan Fund		Special Assigned Loan Fund
Cash and Cash Equivalents (Note 1F)	$	7,969,996	$	55,551	$	
Accounts Receivable:						
Trustee and Agency Funds (Notes 1A and 22)		15,789,378				
U. S. Department of Education (Note 3)				17,456		2,224
College Foundation, Inc.		168,741				
Other		2,219,766				
Accrued Interest Receivable		55,806,329		87,051		32,769
Education Loans:						
Foundation--Agent or Trustee (Notes 1I, 2, and 8)		3,014,718,251		8,452,541		3,127,592
Total Assets	$	3,096,672,461	$	8,612,599	$	3,162,585

LIABILITIES

		N.C. SEAA Loan Fund		Bank Assigned Loan Fund		Special Assigned Loan Fund
Accounts Payable:						
Bank Overdraft	$		$		$	523,834
Trustee and Agency Funds (Notes 1A and 22)		3,080,887,624		8,596,773		2,635,671
U.S. Department of Education (Note 3)		15,783,949				
College Foundation, Inc.		338		15,826		3,080
Other		550				
Total Liabilities	$	3,096,672,461	$	8,612,599	$	3,162,585

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

N.C. Student Incentive Grant Program	N.C. College Savings and Investment Program	UNC Need-Based Grant Program	N.C. Community College Grant Program	N.C. Education Lottery Scholarship Program	Total
$ 7,062	$ 514,836	$ 85,224	$ 338,564	$ 133,516	$ 9,104,749
	14,113				15,803,491
					19,680
					168,741
	3,277				2,223,043
					55,926,149
					3,026,298,384
$ 7,062	$ 532,226	$ 85,224	$ 338,564	$ 133,516	$ 3,109,544,237
$	$	$	$	$	$ 523,834
2,100	192,496	82,225	307,079	108,945	3,092,812,913
					15,783,949
	203,963				223,207
4,962	135,767	2,999	31,485	24,571	200,334
$ 7,062	$ 532,226	$ 85,224	$ 338,564	$ 133,516	$ 3,109,544,237

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013 and 2012

1. Organization and Summary of Significant Accounting Policies

A. Organization:

College Foundation, Inc. (the Foundation) was chartered in 1955 under the N.C. Nonprofit Corporation Act for the purpose of providing financial assistance to students at institutions of higher education. The Foundation's charter specifies that the Governor of the State of North Carolina shall appoint the nine-member Board of Trustees, five of whom must be representatives of the banking industry. The Foundation continues to operate exclusively for the stated, charitable purpose. The Foundation is an eligible lender under Section 435(d)(1)(D) of Part B, Title IV, of the Higher Education Act of 1965, as amended; and has served as the central loan originator and continues to serve as the servicer for North Carolina's Federal Family Education Loan Program funded and/or sponsored by the N.C. State Education Assistance Authority and by direct and special investment from financial institutions and other organizations. The Foundation acts as agent for the N.C. State Education Assistance Authority, participating banks, and other funds providers in administering their education loan, grant, and scholarship programs for which it receives service fees (assets and liabilities attributable to these organizations are reflected in Schedules 4 and 5). The Foundation also administers for the N.C. State Education Assistance Authority two other major programs: (1) the North Carolina College Savings and Investment Program which was launched December 3, 2001, and replaced the state's previous college savings program known as College Vision Fund, which began in May 1998, and (2) the information dissemination program known as College Foundation of North Carolina, which began in May 2000. The Internal Revenue Service recognized the Foundation as exempt in 1956. Under a 1998 ruling, the Foundation was declared a supporting organization on the basis of its administration of the state's student financial assistance programs and its governance structure under the charter and commenced operations as a public charity July 1, 1998.

B. Accrual Basis:

The accompanying financial statements have been prepared on the accrual basis of accounting using separate self-balancing fund groups to report assets, liabilities, revenues, expenses, net assets, and cash flows. Service fees are accrued according to program service agreements, based on direct program costs and allocation of indirect costs or flat rates.

C. Basis of Presentation:

The Foundation is required to classify resources for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Accordingly, net assets of the Foundation and changes therein may be classified and reported as follows:

Unrestricted Net Assets--Net assets that are not subject to donor-imposed stipulations. Certain net assets classified as unrestricted may be designated for specific purposes by action of the Board of Trustees.

Temporarily Restricted Net Assets--Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets--Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

D. Restricted and Unrestricted Revenue:

The Foundation is required to report contributions of cash and other assets received as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

1. Organization and Summary of Significant Accounting Policies (Continued)

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

E. Accounting 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.

F. Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, checking accounts, sweep accounts, and other short-term investments consistent with the Investment Policy approved by the Board of Trustees. The carrying amount reflected in the Foundation's financial statements approximates fair value due to the short-term nature of these investments. The Foundation, in accordance with its bylaws, maintains these balances at financial institutions insured by the Federal Deposit Insurance Corporation, authorized to do business in North Carolina, and designated as depositories by the Board of Trustees. Excess cash in the Operating Fund may be needed to cover operating expenses for a period following the end of each calendar quarter, prior to the receipt of the Foundation's service fee from each program funding source.

G. Service Fees Receivable:

Service fees are billed monthly or quarterly and are based on flat rates or on direct program costs and allocated indirect costs according to program service agreements. Management determines the allowance for doubtful accounts based on its assessment of prior experience with parties having outstanding balances and current relationships with them. At June 30, 2013 and 2012, service fees receivable were considered fully collectible by management; therefore, no allowance for doubtful accounts was provided.

H. Other Accounts Receivable:

Other accounts receivable primarily consist of receivables due from state and trustee and agency entities due to normal Foundation program operations and are stated at the amount management expects to collect from balances outstanding at year-end. Management determines the allowance for doubtful accounts based upon its assessment of prior experience with parties having outstanding balances and current relationships with them. At June 30, 2013 and 2012, other accounts receivable were considered fully collectible by management; therefore, no allowance for doubtful accounts was provided.

I. Education Loans:

Education loans receivable are recorded based on unpaid principal balances, which represent net realizable value. These loans have mandated interest rates and repayment terms. See Note 5 for information regarding education loan insurance. At June 30, 2013 and 2012, management determined that the estimated uninsured amount of loans owned by the Foundation that could potentially default was immaterial. Therefore, no allowance was provided.

J. Note Receivable:

The note receivable is recorded based on principal outstanding. Interest is accrued quarterly based on the note's applicable rate. Principal and interest payments are invoiced by the Foundation and are considered past due eleven days after the borrower's receipt of the invoice. At June 30, 2013 and 2012, no payments were past due under this loan agreement, and the note was considered fully collectible by management.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013 and 2012

1. Organization and Summary of Significant Accounting Policies (Continued)

K. N.C. College Savings and Investment Program Accounts:

Funds in these accounts are in the Federally-Insured Deposit Account investment option offered by the State Employees' Credit Union. This investment option is a fixed price fund with the price per unit set at $1.00 and unlimited insurance coverage by the National Credit Union Administration.

N.C. College Savings and Investment Program accounts are subject to withdrawal restrictions under Section 529 of the Internal Revenue Code. These accounts are for the benefit of current and future recipients of the Victor E. Bell Jr. Scholarship and Broyhill Family Foundation Scholarship programs.

L. Property and Equipment:

Property and equipment including computer software are stated at cost if purchased or developed in-house or at fair value if donated, less accumulated depreciation or amortization. Amortization of computer software is computed using the straight-line method over three years. Depreciation is computed using the straight-line method over the estimated useful lives of other assets, which range from five to forty years.

A capitalization threshold of $1,500 is utilized; therefore, any items costing less than this amount are charged to operating expense as incurred.

M. Lease Commission:

The lease commission is being amortized using the straight-line method over the life of the Yonkers Road lease.

N. Deferred Service Fee Revenue:

Service fees for certain N.C. State Education Assistance Authority loan programs are billed at contractually-mandated rates. If these fees exceed actual costs incurred, revenue is deferred and used to offset costs incurred in servicing programs in the following fiscal year as directed by the N.C. State Education Assistance Authority.

O. Contingency for Uninsured Loans:

A reserve for denied claims was created to cover possible losses from uncollectible education loans that were improperly originated or serviced by the Foundation. As authorized by the Board of Trustees, during the year ended June 30, 1984, the reserve was set at an amount equal to 1/10 of 1% of the total outstanding loans. On October 3, 1990, the Board authorized an increase in the reserve to 2/10 of 1%. On March 25, 1992, the Board authorized a further increase to 1/2 of 1%. On October 1, 1997, the Board authorized the deferral of any further increases in the reserve until a re-evaluation of the reserve level was completed. This study took into consideration the Foundation's improved operating efficiencies which resulted in low numbers of denied claims and loans to be written off. The results of the study were presented to the Audit Committee and, on May 4, 1999, the Board of Trustees approved a change in the basis for determining the amount in the reserve and renaming of the account as "Contingency for Uninsured Loans" to broaden its scope while preserving the original purpose. Board policy requires that an analysis be presented to the Board annually for re-evaluation of the appropriate funding level and the formula utilized in its calculation. As specified by the Board, the reserve is adjusted at the end of each calendar quarter to assure adequate coverage after taking into account any charge-offs for the period.

The 1992 Amendments to the Higher Education Act, P.L. 102-325, enacted July 23, 1992, authorized the Secretary of the U.S. Department of Education to publish regulations applicable to third party servicers to establish minimum standards for sound management and accountability under Part B of the Act; the regulations, published April 29, 1994, include financial responsibility standards for, and the assessment of liabilities for program violations against, such servicers.

1. Organization and Summary of Significant Accounting Policies (Concluded)

P. Income, Sales and Use, Excise, and Property Taxes:

The Foundation is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and was classified by the IRS as a private operating foundation until 1998 when, under a new IRS ruling, the Foundation was declared a supporting organization; it commenced operation as a public charity July 1, 1998. The Foundation is exempt from excise taxes under Section 4942(j)(3) of the Code. Under Sections 105-125 and 105-130.11(3) of North Carolina General Statutes, the Foundation is exempt for franchise and income tax purposes. Contributions to the Foundation are deductible under IRS rules.

The Foundation files its Form 990, Return of Organization Exempt From Income Tax, in the U.S. Federal jurisdiction. The Foundation is generally no longer subject to examination by the Internal Revenue Service for years before the fiscal year ending June 30, 2010.

The Foundation is eligible for a refund of North Carolina Sales and Use Tax paid on purchases of tangible personal property for use in its nonprofit work pursuant to a determination made by the North Carolina Department of Revenue under the guidelines of the Sales and Use Tax Technical Bulletins, Section 17 (originally qualified under Sales and Use Tax Regulation 7). Expenses shown on the statements of activities are net of applicable Sales and Use Tax paid for which an application for refund will be filed.

The Foundation's request for property tax exemption for 2100 Yonkers Road was approved under North Carolina General Statutes Section 105-278.7 on June 24, 1988; however, effective for tax year 2006, the property tax exemption was lost since the property was no longer considered used for charitable purposes.

On January 22, 2004, the Foundation's request for property tax exemption for the Highwoods Campus was approved under North Carolina General Statutes Section 105-278.7.

Q. Subsequent Events:

Subsequent events have been evaluated through December 30, 2013, which is the date the financial statements were available to be issued.

2. Programs Administered by the Foundation

A. North Carolina's Federal Family Education Loan Program:

This Program covers loans made under Part B, Title IV, of the Higher Education Act of 1965, as amended. The Foundation has originated (including disbursement of the loans) and serviced loans under the Act since its enactment. From time to time, amendments to the Act have changed the names and terms of the loans. Loans originated and serviced by the Foundation have included interest-subsidized, nonsubsidized, and unsubsidized Federal Stafford Loans (including Federal Insured Student Loans/FISL), as well as Federal Supplemental Loans for Students (SLS), Federal PLUS Loans, and Federal Consolidation Loans. These loans are eligible for State and Federal (re)insurance. The Foundation originated the first PLUS Loans to parents during the year which ended June 30, 1983; and, for this initial period, PLUS Loans were made only to parents of eligible undergraduate dependent students. Beginning July 1, 1983, PLUS Loans were also available to independent undergraduate and graduate/professional students. Effective October 16, 1986, PLUS Loans to students were redesignated by law as Supplemental Loans for Students, and PLUS Loans were made available to parents of dependent students at either the undergraduate or graduate level; effective for award years beginning after June 30, 1993, graduate students were deemed independent for student aid purposes and could no longer benefit from PLUS Loans. The Higher Education Act was subsequently amended to replace Supplemental Loans with the unsubsidized Federal Stafford Loans, effective with periods of enrollment beginning after June 30, 1994. The Foundation began originating Federal Consolidation Loans on

2. Programs Administered by the Foundation (Continued)

September 10, 1998. On February 8, 2006, the Higher Education Act was amended yet again to allow graduate/professional students to borrow PLUS Loans in an amount up to their cost of attendance minus other estimated financial assistance. This change was effective for loans certified on or after July 1, 2006. On September 18, 2008, the Foundation suspended its Consolidation Loan program. On March 30, 2010, President Obama signed into law H.R. 4872, the *Health Care and Education Affordability Reconciliation Act* of 2010, which included the Student Aid and Fiscal Responsibility Act (SAFRA). Effective July 1, 2010, this legislation eliminated the authority to provide new loans under the Federal Family Education Loan (FFEL) Program and required that all new federal loans be made through the Federal Direct Loan Program. The legislation did not alter or affect the terms and conditions of existing FFEL Program loans. In the case of a majority of the loans serviced by the Foundation under this Program, the Foundation is acting as agent for the N.C. State Education Assistance Authority.

B. Carolina Computing Initiative (CCI) Loans:

This program began in Fall 1998 to assist UNC-Chapel Hill (UNC-CH) students in financing a computer purchase through UNC-CH Student Stores. UNC-CH and the N.C. State Education Assistance Authority set both the rules and the interest rate for the CCI Loans.

On February 1, 2010, the Foundation suspended the origination of loans under the CCI Loan Program due to market conditions which significantly affected the Authority's ability to raise capital.

C. N.C. Student Incentive Grant Program:

The Foundation administered this program as agent for the N.C. State Education Assistance Authority. In 1975, the program was authorized, under Part A, Title IV, of the Higher Education Act of 1965, as amended, to make incentive grants available to states to assist states in providing grant assistance to eligible students; in 1998, Congress changed the name of the subpart to "Leveraging Educational Assistance Partnership (LEAP) Program." Student awards were a combination of federal and state funds. Federal funding for the LEAP Program as well as the matching state funds were eliminated effective with the 2011-12 academic year.

D. UNC Need-Based Grant Program:

The Foundation administers this program as agent for the N.C. State Education Assistance Authority. The program was first funded by the N.C. General Assembly in July 1999 and provides need-based grants to in-State students attending constituent institutions of The University of North Carolina. Awards criteria for this program are set by the N.C. State Education Assistance Authority.

E. N.C. Community College Grant Program:

The Foundation acts as agent for the N.C. State Education Assistance Authority which has a contract with the State Board of Community Colleges to administer this program established and first funded by the N.C. General Assembly in July 1999. This program provides need-based grants to students enrolled at the State's community colleges. The Foundation determines eligibility of students, obtains certifications from the colleges, and makes the disbursements to the colleges.

F. North Carolina College Savings and Investment Program:

Administrative History

The Foundation acts as agent for the N.C. State Education Assistance Authority in the administration of the State's college savings and investment program which is designed to meet the requirements of a "qualified tuition program" under Section 529 of the Internal Revenue Code.

2. Programs Administered by the Foundation (Continued)

From December 3, 2001 until January of 2006, recordkeeping, disbursement, and transfer agent services for the Program were contracted with PFPC, Inc. and custodial services with State Street Bank and Trust Company. In January of 2006, the Foundation notified both PFPC and State Street that it would be terminating its contracts with each entity and would no longer utilize their services, effective as of April 3, 2006. On March 27, 2006, the Foundation contracted with Upromise Investments, Inc. and Upromise Investment Advisors, LLC (collectively "Upromise") to provide these services as well as some administrative services for the program, beginning April 3, 2006. Upromise subcontracted with Mellon Authority, N.A. to provide custodial services for the Foundation.

In August of 2007, the management of the Foundation decided to terminate its contract with Upromise. Upromise was notified on August 29, 2007. As of February 28, 2008, the Foundation contracted with Upromise for the orderly transition of recordkeeping and administrative services as well as for the continuation of the Upromise Rewards service, with automatic sweep functionality. The recordkeeping and other administrative duties previously handled by Upromise were assumed by the Foundation as of March 3, 2008 and the Foundation contracted with State Street Bank and Trust Company to provide custodial services as of the same date. In March of 2010, the Foundation notified Upromise that it did not intend to renew the Upromise Rewards Service; however, Upromise continued the automatic sweep until April of 2011.

In October of 2011, the Foundation terminated its contract with State Street and began to work directly with The Vanguard Group for financial accounting for the Vanguard Investment Options. The Foundation already worked directly with the State Treasurer's Office and State Employees' Credit Union on financial accounting for their investment options, the Dependable Income Fund and the Federally-Insured Deposit Account, respectively.

Investment Option History

The first parental savings account under the predecessor program, called College Vision Fund, was established May 28, 1998. Funds invested in the College Vision Fund program were managed by the Office of the State Treasurer. On December 3, 2001, College Vision Fund contributions of $9,541,641 were rolled over into the new North Carolina College Savings and Investment Program as provided by the rules of the N.C. State Education Assistance Authority. The new program initially offered direct or advisor-sold enrollment, the direct program under the name of North Carolina's National College Savings Program ("NC 529 Plan") and the Advisor-sold as the National College Savings Program.

As of December 3, 2001, investment options made available through direct enrollment with the Foundation under the new program were:

1. Aggressive Stock Fund, managed by NCM Capital Management Group, Inc.;
2. Balanced Fund, managed by Wachovia Bank, N.A., through its affiliate Evergreen Investment Management Co., LLC;
3. College*Horizon*Funds, managed by J. & W. Seligman & Co., Incorporated; and
4. Dependable Income Fund, managed by the Office of the State Treasurer.

On September 3, 2002, an additional investment option, the Protected Stock Fund, was made available through direct enrollment under the program. This option was offered through a type of insurance contract known as a funding agreement. These agreements were issued by Metropolitan Life Insurance Company (MetLife) to the Foundation.

2. Programs Administered by the Foundation (Continued)

As of December 3, 2001, the Seligman College*Horizon*Funds investment option, which was managed by J. & W. Seligman & Co., Incorporated, was also made available to participants who chose to work with a financial advisor who was compensated through sales and asset-based charges applicable to the investment of account assets in, or their allocation to, the investment option (Advisor-sold Enrollment). As of April 7, 2003, the following three additional investment options were made available through Advisor-sold Enrollment:

1. Seligman Aggressive Allocation, managed by J. & W. Seligman & Co., Incorporated;
2. Seligman Income Option, managed by J. & W. Seligman & Co., Incorporated; and
3. MetLife Protected Stock Fund, offered through a type of insurance contract known as a funding agreement issued by MetLife to the Foundation.

On December 1, 2003, an additional investment option, the Seligman Balanced Allocation, was made available through Advisor-sold Enrollment. However, on December 15, 2004, the N.C. State Education Assistance Authority and the Foundation discontinued the establishment of accounts through Advisor-sold Enrollment, and on March 1, 2005, any assets in Accounts established through Advisor-sold Enrollment were transferred to the corresponding investment options made available through direct enrollment. As of March 30, 2006, the Foundation contracted with The Vanguard Group, Inc. to add seven custom individual portfolios and three age-based investment options to the program, beginning April 3, 2006.

As of February 27, 2008, the MetLife Protected Stock Fund was closed to new contributions as a result of MetLife's decision not to extend the funding agreements with the Foundation. Also, during 2008 the Foundation terminated its March 30, 2006 agreement with Vanguard and executed a new agreement with Vanguard as of March 3, 2008 for the creation of the eight individual V Fund investment options and three age-based investment options, which were not managed by Vanguard, but featured underlying funds managed by Vanguard. Accounts with funds in the existing Vanguard investment options were migrated to the new V Fund investment options as of March 3, 2008.

After review and consultation, in April of 2009 the N.C. State Education Assistance Authority and the Foundation terminated the contracts with Wachovia Bank, N.A. and RiverSource Investments, LLC (which previously acquired J. & W. Seligman & Co.). The effective termination date of each contract was July 1, 2009. Participants were notified in mid-May 2009 of the termination, and given the option of reallocating assets invested in the Balanced Fund (managed by Wachovia) and the College*Horizon*Funds (managed by RiverSource) to other investment options, or having the Foundation automatically reallocate their assets from the Balanced Fund to the V Fund 3 and from the College*Horizon*Funds to the Age-Based V Fund, Moderate Track.

On April 12, 2010, the Foundation entered into a contract with the State Employees' Credit Union to add the Federally-Insured Deposit Account investment option, which launched on the same date. Additionally, on April 12, 2010, the name of the Aggressive Stock Fund was changed to the Active Core Equity Fund.

On December 31, 2010, the contract with the manager of the Active Core Equity Fund investment option, NCM Capital Management Group, Inc., expired after the N.C. State Education Assistance Authority and the Foundation declined to renew. Participants were notified that, as of December 30, 2010, assets allocated to the Active Core Equity Fund would be invested in the Vanguard Total Stock Market Index Fund until January 31, 2011. Participants were given the option of reallocating assets in the Active Core Equity Fund to other investment options prior to January 24, 2011, or having the Foundation automatically reallocate their assets to V Fund 6 as of February 1, 2011.

2. Programs Administered by the Foundation (Continued)

In order to reduce fees to participants, on October 31, 2011, the Foundation replaced existing age-based and individual V Fund investment options with comparable Vanguard age-based and individual investment options, and added a new individual option from Vanguard, the Vanguard Aggressive Growth Portfolio.

The Foundation does not provide financial or investment advice to prospects or participants.

G. College Foundation of North Carolina:

In May 2000, the N.C. State Education Assistance Authority and the Foundation developed an information dissemination program known as "College Foundation of North Carolina" (CFNC) that provides North Carolinians with a comprehensive website (www.CFNC.org) as well as other resources. In order to administer the program, the Foundation increased staffing in the call center and added additional regional representatives across the state. In 2001, the Foundation, the Authority, and Pathways of North Carolina formed an alliance to coordinate information dissemination efforts to increase access to higher education in North Carolina and provide information on planning, applying, and paying for college. Pathways of North Carolina, created by the N.C. General Assembly in 1999, is a state-wide initiative to increase the college-going rate of North Carolinians. Pathways is administered by The University of North Carolina in collaboration with the N.C. Department of Public Instruction, the N.C. Community College System, and the N.C. Independent Colleges and Universities.

H. EXTRA Education Loans:

This program began in July 2001 to assist borrowers attending eligible schools in North Carolina with qualified higher education expenses not covered under North Carolina's Federal Family Education Loan Program. The N.C. State Education Assistance Authority sets both the rules and the interest rate for the EXTRA Education Loans.

On February 1, 2010, the Foundation suspended the origination of loans under the EXTRA Education Loan Program due to market conditions which significantly affected the Authority's ability to raise capital.

I. EXTRA MBA Loans:

This program began in March 2003 to assist borrowers enrolled in the Kenan-Flagler Business School MBA or MAC Programs at UNC-Chapel Hill unable to secure loans under North Carolina's Federal Family Education Loan Program or the EXTRA Education Loan Program. The N.C. State Education Assistance Authority sets both the rules and the interest rate for the EXTRA MBA Loans.

On February 1, 2010, the Foundation suspended the origination of loans under the EXTRA MBA Loan Program due to market conditions which significantly affected the Authority's ability to raise capital.

J. College Funds Installment Payment Plan:

In April 2005, the Foundation launched the College Funds Installment (CFI) Payment Plan for North Carolina Independent Colleges and Universities to make flexible payment options available to students and families. The CFI Payment Plan enables the payer to divide expenses into interest-free monthly payments which the Foundation, acting as agent, collects and forwards to the school. The Plan became available to public and proprietary North Carolina colleges and universities in 2006.

2. Programs Administered by the Foundation (Continued)

K. Education Lottery Scholarship Program:

This program was created by the N.C. General Assembly in 2005 to provide scholarships to needy North Carolina resident students attending eligible colleges and universities located in the State of North Carolina. Annual funding is contingent upon appropriations made available to the N.C. State Education Assistance Authority from proceeds of the North Carolina Education Lottery. The Foundation administers this program as agent for the N.C. State Education Assistance Authority. Rules for administration of the program were adopted by the Board of Directors of the N.C. State Education Assistance Authority in July 2006.

L. Education Access Rewards North Carolina (EARN) Scholars Fund Program:

This program was created by the N.C. General Assembly in 2007 to provide need-based grants to North Carolina resident students to enable them to obtain an education beyond the high school level without incurring education loans during the first two years of their postsecondary education. The Foundation administered this program as agent for the N.C. State Education Assistance Authority. Rules for administration of the program were adopted by the Board of Directors of the N.C. State Education Assistance Authority in December 2007.

On August 10, 2009, legislation was enacted which reduced the amount of individual grants for the 2009-2010 academic year and repealed the program effective July 1, 2010.

M. Victor E. Bell, Jr. Scholarship Program:

This program was established by the Foundation's Board of Trustees to encourage and assist high potential North Carolina students with limited financial resources to pursue higher education. Initially awarded to seventh grade students and renewable through four years of college as long as annual eligibility requirements are met, the program encourages students with academic ability and promise to maintain their scholastic standing and achieve a college degree. Individual awards are $2,000 per year, up to a maximum of $20,000 per recipient. The award for each recipient is contributed annually to an account in North Carolina's National College Savings Program with the Foundation as the account owner and the individual as the beneficiary. The first award recipients were selected in November 2007. Funding for this scholarship program is provided by the Foundation's Special Scholarship Fund.

N. School Services Program:

The Foundation began work in the Spring of 2012 on a pilot program offering verification and C Code resolution services to assist the financial aid offices at four North Carolina community colleges. The Program was expanded in the Spring of 2013 to include eleven North Carolina community colleges and two constituent institutions of the University of North Carolina. The Foundation acts as agent for the N.C. State Education Assistance Authority under this Program for the North Carolina schools. In addition, the Foundation has begun work with one out-of-state school.

O. N.C. Need-Based Scholarship Program:

This program was created by the N.C. General Assembly in 2011 to provide need-based scholarships for North Carolina resident students attending eligible private institutions in the State of North Carolina. The Foundation administers this program as agent for the N.C. State Education Assistance Authority. Rules for administration of the program were adopted by the Board of Directors of the N.C. State Education Assistance Authority in February 2012.

2. Programs Administered by the Foundation (Concluded)

P. Servicing of Federal Assets:

On March 30, 2010, President Obama signed into law H.R. 4872, the *Health Care and Education Affordability Reconciliation Act of 2010*, which included the *Student Aid and Fiscal Responsibility Act* (SAFRA). The legislation contains a provision which requires the Secretary of Education to establish performance-based contracts with eligible not-for-profit servicers to service education loans originated under the Federal Direct Loan Program. The Foundation has been determined to be eligible and technically qualified to service federal assets. In May 2011, a Memorandum of Understanding was executed with the U.S. Department of Education, and a contract effective February 1, 2013, allowed the Foundation, doing business as *EDGE*ucation Loans, to begin servicing education loans owned by the Federal government. The Foundation received its first allotment of loans under this contract on February 7, 2013. In May 2013, the Foundation was notified by the contractor providing the servicing system that it would discontinue its servicing operations as soon as practicably possible. As a result, the Foundation entered into a full-service contract with the Missouri Higher Education Loan Authority (MOHELA). Loans with principal balances were transferred to MOHELA on August 4, 2013. Information on all other zero balance loans formerly held by *EDGE*ucation Loans was transmitted to MOHELA on September 27, 2013.

Q. Other Programs:

From time to time the Foundation administers other programs of student financial assistance, including the Knights of Pythias Scholarships, Syringomyelia Scholarships, the Bryan Foundation Scholarships, and the Broyhill Family Foundation Scholarships.

3. Accounts Receivable/Payable--U.S. Department of Education

The U.S. Department of Education pays an interest subsidy on eligible education loans and special allowance to lenders holding loans made under the Federal Family Education Loan Program, which includes North Carolina's Program administered by College Foundation, Inc. Interest paid depends on the date the initial disbursement of the loan was made and applies only to interest-subsidized Federal Stafford Loans (including FISL), a Federal Consolidation Loan which consolidated only subsidized Federal Stafford Loans, and the subsidized portion of Federal Consolidation Loans. The subsidy applies to (1) the period from the date each disbursement is made until the student has ceased enrollment for at least a half-time academic workload, allowable six-to-nine month grace period prior to the beginning of the repayment period, and (3) any authorized deferment periods. For eligible loans, special allowance is applicable throughout the life of the loans based upon the average of the rates paid on 91-day Treasury bills auctioned for the quarter or the average of the rates of the quotes of 3-month commercial paper rates in effect for each of the days in the quarter, depending upon when the applicable loan was first disbursed, plus an add-on factor as specified by statute (special allowance support level). For eligible loans first disbursed prior to April 1, 2006, special allowance is paid if the special allowance support level exceeds the applicable interest rate on a loan. Both the interest subsidy and special allowance are based on the average daily principal balances of loans outstanding. Beginning with eligible loans first disbursed on or after April 1, 2006, lenders are required to remit excess borrower interest to the U.S. Department of Education when the applicable interest rate on a loan for any given quarter exceeds the special allowance support level. During the year ended June 30, 2013, the return of excess borrower interest totaled $74,467,242, which included $28,266 related to loans owned by the Foundation and $74,438,976 related to loans owned by other funds providers. During the year ended June 30, 2012, the return of excess borrower interest totaled $88,035,810, which included $13,881 related to loans owned by the Foundation and $88,021,929 related to loans owned by other funds providers. At June 30, 2013,

3. Accounts Receivable/Payable--U.S. Department of Education (Continued)

net interest subsidy and special allowance due to the U.S. Department of Education totaled $14,361,266, which included $4,166 related to loans owned by the Foundation and $14,357,100 related to loans owned by other funds providers. At June 30, 2012, net interest subsidy and special allowance due to the U.S. Department of Education totaled $15,768,093, which included $3,824 related to loans owned by the Foundation and $15,764,269 related to loans owned by other funds providers.

The College Cost Reduction and Access Act (CCRAA) signed on September 27, 2007 provided that "eligible not-for-profit holders" would receive a higher special allowance support level (0.15%) than for-profit holders for education loans first disbursed on or after October 1, 2007. The Foundation submitted documentation to the U.S. Department of Education on January 4, 2008 to support a request for the "eligible not-for-profit holder" designation. Approval of the request was received on March 31, 2008.

The Consolidated Appropriations Act signed on December 23, 2011 allowed Federal Family Education Loan Program (FFELP) loan holders and entities holding beneficial ownership interests in FFELP loans to have the 1-month London InterBank Offered Rate (LIBOR) substituted for the 3-month commercial paper rate for the purposes of special allowance calculations on FFELP loans first disbursed on or after January 1, 2000 and before July 1, 2010. The Foundation, as an eligible lender and agent for participating banks and other funds providers, and the N.C. State Education Assistance Authority, as holder and beneficial owner of FFELP loans, elected to waive calculation of special allowance on the basis of the 3-month commercial paper rate for all qualifying loans effective with the calendar quarter beginning April 1, 2012.

Beginning with education loans first disbursed on or after October 1, 2007, 1% of the principal amount of the disbursement was paid by the lender/holder as a deduction from the amount of interest subsidy and special allowance due to the lender/holder for the quarter in which loan funds were disbursed. This loan fee was 0.5% for loans first disbursed between October 1, 1993 and September 30, 2007. In addition, federal statute required the payment of certain loan origination fees as a credit against the quarterly interest and special allowance billing to the U.S. Department of Education. For Federal Stafford Loans first disbursed between July 1, 2009 and June 30, 2010, the origination fee was 0.5% of the loan principal amount; for those first disbursed between July 1, 2008 and June 30, 2009, the origination fee was 1%; for those first disbursed between July 1, 2007 and June 30, 2008, the origination fee was 1.5%; for those first disbursed between July 1, 2006 and June 30, 2007, the origination fee was 2%. For Federal PLUS Loans first disbursed between July 1, 2006 and June 30, 2010, the origination fee was 3% of the loan principal amount. Prior to July 1, 2006, the origination fee was 3% of the loan principal amount for Federal Stafford Loans and Federal PLUS Loans. Prior to July 1, 1994, the origination fee was 5% of the loan principal amount for interest-subsidized Federal Stafford Loans, Federal Supplemental Loans for Students (SLS), and Federal PLUS Loans; on unsubsidized Federal Stafford Loans, there was a combination origination fee/insurance fee of 6.5% from October 1, 1992 to July 1, 1994. If a sequester order under the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly called "Gramm-Rudman-Hollings"), as amended, was in effect when the first disbursement of a loan was made, the origination fee was increased by 0.5%.

In February 2013, the Foundation, doing business as *EDGE*ucation Loans, began servicing education loans originated under the Federal Direct Loan Program under a contract with the U.S. Department of Education. Monthly fees due under this contract are based on rates determined by loan status at month-end. A one-time conversion fee was also paid for each loan allotted to the Foundation for servicing.

4. Note Receivable and Loan Agreement

On June 18, 2012, the Foundation entered into a Loan Agreement and executed a Future Advance Promissory Note to loan up to $350,000 to Mapping Your Future, Inc. (MYF), a South Dakota nonprofit corporation. Advances can be made through July 1, 2015 and principal is to be repaid in quarterly installments beginning October 1, 2014. Interest is due quarterly and accrues at a variable rate equal to the Prime Rate. The interest rate will change quarterly on the first day of January, April, July and October of each year using the Prime Rate as published by Bloomberg LP two business days prior to the beginning of the applicable quarter. All principal and accrued interest is to be paid in full by the maturity date of December 31, 2015. Advances under the loan are intended to be used by MYF as working capital to provide career, college, financial aid, and financial literacy information and services for students, families and schools. Under the Loan Agreement, the Foundation is to receive, or have access to, certain services free of charge. The loan is secured by a security interest in all assets of MYF pursuant to the terms of a Security Agreement and an Intellectual Property Security Agreement. As of June 30, 2013, $100,000 had been advanced under the Loan Agreement.

5. Education Loan Insurance

A. Education Loan Insurance and Reinsurance:

The majority of all education loans originated by the Foundation are insured by the N.C. State Education Assistance Authority as to principal and interest. The insurance percentage for default claims on loans made under the Higher Education Act varies between 97% and 100% based upon the date the loans were made as follows: (1) loans made prior to October 1, 1993 are insured at 100%; (2) loans made October 1, 1993 through June 30, 2006 are insured at 98%; and (3) loans made on or after July 1, 2006 are insured at 97%. All death, disability, and bankruptcy claims on these loans are insured at 100%. Under its contract of reinsurance with the U.S. Department of Education, the N.C. State Education Assistance Authority is reimbursed for its payments of Federal default claims according to a scale specified in federal statute. The "trigger rate" which results in reimbursement at less than the maximum rate is determined by comparing the total amount which the guarantee agency paid to lenders during the federal fiscal year for claims for defaults/nonpayment, death, disability, bankruptcy, etc., to the amount under guarantee by the agency and in repayment at the end of the preceding federal fiscal year (this trigger rate should not be confused with "cohort default rates" which are calculated differently and used for different purposes). The N.C. State Education Assistance Authority has always qualified for the maximum reinsurance rate because of the low default rate under North Carolina's Federal Family Education Loan Program.

Although the Federal insurance premium (renamed Federal default fee for loans guaranteed on or after July 1, 2006) was set at different rates in the past, it was waived by the N.C. State Education Assistance Authority beginning with 1997-98 fiscal year loans. When in effect, the premiums were deducted by the Foundation from each loan disbursement and remitted to the guarantee agency, the N.C. State Education Assistance Authority, which deposited them into the Reserve Trust Fund from which claims were paid at that time. In addition, the N.C. State Education Assistance Authority has provided a separate trust fund which may be used to reimburse lenders for losses on defaulted loans and other types of non-reinsured claims under certain circumstances.

The U.S. Department of Education insured education loans disbursed from the Foundation's Special Loan Fund from 1971 to 1979, and United Student Aid Funds (USA Funds) guaranteed a small number made from the Special Loan Fund between 1982 and 1987. There are no outstanding balances on these loans.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013 and 2012

5. Education Loan Insurance (Continued)

As of June 30, 2013, outstanding balances (including Trustee and Agency Funds) on education loans originated by the Foundation under the Higher Education Act were as follows:

	Made Before October 1, 1993	Made October 1, 1993 through June 30, 2006	Made After June 30, 2006	Total
N.C. SEAA--Lender of Last Resort Loans	$ 7,170	$ 139,494	$	$ 146,664
N.C. SEAA--Trust, Bond, and Escheat Loans	1,255,874	842,424,131	1,584,229,396	2,427,909,401
Bank Assigned Loans	3,964,644	2,727,387		6,692,031
Special Assigned Loans	552,441	6,015,552	2,698,346	9,266,339
Special Scholarship Fund Loans	75,936	478,202	618,464	1,172,602
Totals	$ 5,856,065	$ 851,784,766	$ 1,587,546,206	$ 2,445,187,037

Comparative data (including Trustee and Agency Funds) as of June 30, 2012, were as follows:

	Made Before October 1, 1993	Made October 1, 1993 through June 30, 2006	Made After June 30, 2006	Total
N.C. SEAA--Lender of Last Resort Loans	$ 9,312	$ 157,328	$	$ 166,640
N.C. SEAA--Trust, Bond, and Escheat Loans	1,611,605	979,351,620	1,819,887,835	2,800,851,060
Bank Assigned Loans	5,009,234	3,443,307		8,452,541
Special Assigned and Nonassigned Loans	442,326	2,123,731	314,928	2,880,985
Special Scholarship Fund Loans	81,574	343,518	518,710	943,802
Totals	$ 7,154,051	$ 985,419,504	$ 1,820,721,473	$ 2,813,295,028

B. Contingency for Uninsured Loans:

A reserve for denied claims exists to cover possible losses from uncollectible education loans that were improperly originated or serviced by the Foundation. At June 30, 2013 and 2012, the contingency totaled $5,400,000 and $6,100,000, respectively.

C. Analysis of Outstanding Education Loans by School Type:

Since 1987, the U.S. Department of Education has been analyzing by school the number of borrowers with education loans entering repayment in a given federal fiscal year and defaulting (with the claims having been paid by the guarantee agency) before the end of the succeeding federal fiscal year. (Beginning with federal fiscal year 2009, the default period was extended one additional year such that the default occurs and the claim is paid before the end of the second federal fiscal year following the year in which the borrower enters repayment.) This analysis results in a calculated "cohort default rate" for the school, and those with rates above specified levels may lose their eligibility to participate in certain loan programs under Title IV of the Higher Education Act. Prior to the July 1, 2010 discontinuation of the origination of Federal Family Education Loan Program loans, the emphasis on cohort default rates and the reduction in the federal reimbursement scale for default claims made it desirable to monitor the outstanding loan balances by school type since, historically, defaults tended to be higher among borrowers who attended certain types of schools.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013 and 2012

5. Education Loan Insurance (Concluded)

As of June 30, 2013, outstanding balances (including Trustee and Agency Funds but excluding Federal Consolidation Loans) on education loans originated by the Foundation under the Higher Education Act were as follows:

School--Type	Number of Loans	Outstanding Balance
4-Year Public--In State	312,348	$ 1,060,613,622
2-Year Public--In State	33,376	74,060,449
4-Year Private--In State	107,467	402,105,014
2-Year Private--In State	3,257	8,815,745
Proprietary--In State	20,789	55,909,372
2/4-Year Public--Out of State	1,122	7,015,590
2/4-Year Private--Out of State	3,111	19,255,470
Proprietary--Out of State	821	4,054,307
Out of Country	315	3,004,345
Totals	482,606	$ 1,634,833,914

Comparative data (including Trustee and Agency Funds but excluding Federal Consolidation Loans) as of June 30, 2012, were as follows:

School--Type	Number of Loans	Outstanding Balance
4-Year Public--In State	357,353	$ 1,241,102,682
2-Year Public--In State	38,803	86,226,006
4-Year Private--In State	123,398	475,976,373
2-Year Private--In State	3,846	10,488,284
Proprietary--In State	24,270	64,798,312
2/4-Year Public--Out of State	1,336	8,432,527
2/4-Year Private--Out of State	3,564	22,792,032
Proprietary--Out of State	968	4,702,546
Out of Country	354	3,571,800
Totals	553,892	$ 1,918,090,562

6. Property and Equipment

Property and equipment held by the Foundation at June 30, 2013, were categorized as follows:

	June 30, 2012	Additions	Disposals	June 30, 2013
Highwoods Office Park Land (1)	$ 1,302,882	$	$	$ 1,302,882
Highwoods Boulevard Building (2)	9,358,940	6,713		9,365,653
Poplarwood Court Building (3)	3,070,377			3,070,377
Yonkers Road Land (4)	961,308			961,308
Yonkers Road Building (5)	3,862,067	47,344		3,909,411
Computer equipment	16,648,735	611,571		17,260,306
Computer software (6)	11,576,094	888,663		12,464,757
Office furniture and equipment	1,510,701	64,985	(1,520)	1,574,166
Total	$ 48,291,104	$ 1,619,276	$ (1,520)	49,908,860
Less accumulated depreciation and amortization				31,891,220
Net property and equipment				$ 18,017,640

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013 and 2012

6. Property and Equipment (Continued)

Comparative data as of June 30, 2012, were as follows:

	June 30, 2011	Additions	Disposals	June 30, 2012
Highwoods Office Park Land (1)	$ 1,302,882	$	$	$ 1,302,882
Highwoods Boulevard Building (2)	9,291,532	67,408		9,358,940
Poplarwood Court Building (3)	2,992,578	77,799		3,070,377
Yonkers Road Land (4)	961,308			961,308
Yonkers Road Building (5)	3,862,067			3,862,067
Computer equipment	15,904,261	744,474		16,648,735
Computer software (6)	10,763,272	812,822		11,576,094
Office furniture and equipment	1,451,258	59,443		1,510,701
Total	$ 46,529,158	$ 1,761,946	$ 0	48,291,104
Less accumulated depreciation and amortization				29,647,771
Net property and equipment				$ 18,643,333

(1) Land related to Highwoods Boulevard Building consists of 2.81 acres purchased May 31, 2002, on which the office building is located plus 1.45 acres which contains only parking and landscaping. Land related to Poplarwood Court Building consists of 1.45 acres purchased May 31, 2002, on which the office building is located.
(2) Building is 61,888 square feet, occupied by the Foundation on October 24, 2003.
(3) Building is 18,660 square feet, occupied by the Foundation on October 24, 2003.
(4) Land consists of 3.0 acres purchased June 15, 1987, on which the office building is located plus 2.0 acres purchased November 29, 1988, in an adjacent lot which also fronts on Yonkers Road.
(5) Building is 43,433 square feet, two-story brick, completed during 1987-88, which is currently being held for leasing (see Note 15). At June 30, 2013 and 2012, the total amount of accumulated depreciation on this building was $1,711,481 and $1,612,461, respectively.
(6) Certain software developed in-house with the assistance of another entity may not be licensed, sold, or transferred to a third party without the express written consent of the other entity.

7. Interfund Borrowings

In the event interfund borrowings occur, interest accrues based on the rate which would otherwise have been earned on the idle funds; the amount borrowed must be repaid under the terms approved by the Board of Trustees when the interfund borrowing was authorized.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013 and 2012

8. Analysis By Education Loan Type and Funding

As of June 30, 2013, outstanding balances (including Trustee and Agency Funds) on education loans were as follows:

	Loans to Students	PLUS Loans to Parents	Consolidation Loans	Total
Made Under the Higher Education Act				
Loans Owned by the Foundation:				
Special Scholarship Fund	$ 1,172,602	$	$	$ 1,172,602
Trustee and Agency Funds:				
N.C. SEAA Funded Loans:				
N.C. SEAA Trust Funds	13,907,982	381,301	2,948,875	17,238,158
N.C. SEAA Escheat Funds	6,033,882			6,033,882
N.C. SEAA Bond Funds	1,497,606,577	101,454,893	805,722,555	2,404,784,025
Total N.C. SEAA Loans	1,517,548,441	101,836,194	808,671,430	2,428,056,065
Assigned Loans:				
Bank Assigned Loans	6,520,618	171,413		6,692,031
Special Assigned Loans	7,376,139	208,507	1,681,693	9,266,339
Total Assigned Loans	13,896,757	379,920	1,681,693	15,958,370
Total Trustee and Agency Funds Under the Higher Education Act	1,531,445,198	102,216,114	810,353,123	2,444,014,435
Other (Non-Federal)				
Loans Owned by the Foundation:				
Special Scholarship Fund	75,886		39,626	115,512
N.C. SEAA Funded Loans:				
Computer Loans	10,581			10,581
EXTRA Education Loans	191,438,601			191,438,601
EXTRA MBA Loans	10,805,043			10,805,043
Assigned Loans:				
Special Assigned Loans	579,613			579,613
Total Other (Non-Federal)	202,909,724		39,626	202,949,350
Total Serviced by the Foundation	$ 1,735,527,524	$ 102,216,114	$ 810,392,749	$ 2,648,136,387

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013 and 2012

8. Analysis By Education Loan Type and Funding (Continued)

Comparative data (including Trustee and Agency Funds) as of June 30, 2012, were as follows:

	Loans to Students	PLUS Loans to Parents	Consolidation Loans	Total
Made Under the Higher Education Act				
Loans Owned by the Foundation:				
Special Scholarship Fund	$ 943,802	$	$	$ 943,802
Permanently Restricted Special Nonassigned Fund	364,534			364,534
Total Owned by the Foundation Under the Higher Education Act	1,308,336			1,308,336
Trustee and Agency Funds:				
N.C. SEAA Funded Loans:				
N.C. SEAA Trust Funds	1,177,671,594	93,325,654	3,073,315	1,274,070,563
N.C. SEAA Escheat Funds	7,579,352			7,579,352
N.C. SEAA Bond Funds	590,572,943	36,864,383	891,930,459	1,519,367,785
Total N.C. SEAA Loans	1,775,823,889	130,190,037	895,003,774	2,801,017,700
Assigned Loans:				
Bank Assigned Loans	8,252,121	200,420		8,452,541
Special Assigned Loans	2,299,681	16,078	200,692	2,516,451
Total Assigned Loans	10,551,802	216,498	200,692	10,968,992
Total Trustee and Agency Funds Under the Higher Education Act	1,786,375,691	130,406,535	895,204,466	2,811,986,692
Other (Non-Federal)				
Loans Owned by the Foundation:				
Special Scholarship Fund	73,520		41,513	115,033
N.C. SEAA Funded Loans:				
Computer Loans	52,335			52,335
EXTRA Education Loans	200,793,195			200,793,195
EXTRA MBA Loans	12,855,021			12,855,021
Assigned Loans:				
Special Assigned Loans	611,141			611,141
Total Other (Non-Federal)	214,385,212		41,513	214,426,725
Total Serviced by the Foundation	$ 2,002,069,239	$ 130,406,535	$ 895,245,979	$ 3,027,721,753

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013 and 2012

9. Analysis of Education Loan Status and Delinquency

As of June 30, 2013, outstanding balances (including Trustee and Agency Funds) on education loans originated by the Foundation under the Higher Education Act were as follows:

	Loans to Students	PLUS Loans to Parents	Consolidation Loans	Total
Loans in Repayment:				
Current	$ 728,714,195	$ 69,465,529	$ 563,962,630	$ 1,362,142,354
Delinquent:				
One Payment Delinquent	101,960,029	8,741,931	51,349,151	162,051,111
Two Payments Delinquent	52,747,187	3,085,601	22,032,929	77,865,717
Three or More Payments Delinquent	114,379,601	4,495,604	32,406,310	151,281,515
Total Delinquent	269,086,817	16,323,136	105,788,390	391,198,343
Total in Repayment	997,801,012	85,788,665	669,751,020	1,753,340,697
Loans in Deferment	246,127,450	7,110,858	73,277,658	326,515,966
Loans in Forbearance	184,949,075	9,190,255	66,225,773	260,365,103
Total Mature	1,428,877,537	102,089,778	809,254,451	2,340,221,766
Loans Not Yet Mature:				
In School	63,350,785			63,350,785
In Grace/Interim	35,534,486			35,534,486
Total Not Yet Mature	98,885,271			98,885,271
Claims Pending	4,842,974	126,336	1,098,672	6,067,982
Total Insured Under the Higher Education Act	1,532,605,782	102,216,114	810,353,123	2,445,175,019
Total Pending Cure of Violations	12,018			12,018
Total Outstanding Loans Under the Higher Education Act	$ 1,532,617,800	$ 102,216,114	$ 810,353,123	$ 2,445,187,037

Comparative data (including Trustee and Agency Funds) as of June 30, 2012, were as follows:

	Loans to Students	PLUS Loans to Parents	Consolidation Loans	Total
Loans in Repayment:				
Current	$ 782,083,841	$ 91,945,190	$ 622,319,616	$ 1,496,348,647
Delinquent:				
One Payment Delinquent	101,287,865	9,599,603	51,832,256	162,719,724
Two Payments Delinquent	50,783,746	3,092,331	19,943,675	73,819,752
Three or More Payments Delinquent	141,770,523	4,913,104	39,665,087	186,348,714
Total Delinquent	293,842,134	17,605,038	111,441,018	422,888,190
Total in Repayment	1,075,925,975	109,550,228	733,760,634	1,919,236,837
Loans in Deferment	299,878,723	10,008,347	96,325,391	406,212,461
Loans in Forbearance	180,172,102	10,530,761	62,675,189	253,378,052
Total Mature	1,555,976,800	130,089,336	892,761,214	2,578,827,350
Loans Not Yet Mature:				
In School	133,722,311			133,722,311
In Grace/Interim	89,248,929			89,248,929
Total Not Yet Mature	222,971,240			222,971,240
Claims Pending	8,735,987	317,199	2,443,252	11,496,438
Total Outstanding Loans Under the Higher Education Act	$ 1,787,684,027	$ 130,406,535	$ 895,204,466	$ 2,813,295,028

10. Lease Commitments

Vehicle Leases

In June 2010, the Foundation entered into noncancelable operating leases for eight used vehicles with monthly payments of $601 each. The initial payment was due July 2010. The leases expired June 2011. The Foundation then leased these vehicles on a month-to-month basis until new lease agreements were finalized.

In December 2011, the Foundation entered into noncancelable operating leases for eight new vehicles with single lease payments due at delivery, four at $10,976 each and four at $10,821 each. These leases expired December 2013.

In December 2013, the Foundation entered into noncancelable operating leases for seven new vehicles, each with single lease payments due at delivery of $10,266. These leases expire December 2015.

During the years ended June 30, 2013 and 2012, expenses including taxes and licenses under these leases in the amount of $46,579 and $59,218, respectively, were included in operating expense. At June 30, 2013, $18,164 was included in prepaid expenses.

Computer Hardware Lease

In December 2013, the Foundation entered into a noncancelable lease for certain data storage units and related hardware with annual lease payments of $229,377 due January 1, 2014 through January 1, 2016. The lease expires November 30, 2016, at which time the equipment may be purchased for fair market value or the lease may be renewed.

11. Net Assets

Board-Designated Net Assets

At June 30, 2013 and 2012, net assets designated by the Board of Trustees to provide long-term scholarship and education loan support equaled $3,942,513 and $3,708,000, respectively.

Temporarily Restricted Net Assets

At June 30, 2013 and 2012, temporarily restricted net assets were restricted by donors for the following purposes:

	2013	2012
Victor E. Bell, Jr. Scholarships	$ 36,997	$ 36,997
Broyhill Family Foundation Scholarships	4,269	
	$ 41,266	$ 36,997

These funds were provided through contributions from the Smith Richardson Foundation, the Kiwanis Club of Raleigh, and the Broyhill Family Foundation.

Permanently Restricted Net Assets

At June 30, 2013 and 2012, permanently restricted net assets equaled $555,000 and $551,704, respectively. These funds were provided through contributions from the Broyhill Family Foundation (Broyhill) and were initially restricted to providing loans to students attending Mars Hill College, Gardner-Webb University, and Lenoir-Rhyne University. Broyhill required that capitalized interest on these loans be subject to the same permanent restrictions.

At Broyhill's direction, all assets were used to establish an endowment in July 2012 to fund Broyhill Family Foundation Scholarships. A change in the administration of Broyhill's contributions was necessary because College Foundation was no longer originating education loans and could not administer these contributions as originally directed.

12. Endowment Funds

The Foundation's endowment funds provide long-term support for scholarship and education loan programs. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Donor-Restricted Endowment

At June 30, 2013, permanently restricted net assets consisted of an endowment fund established on July 1, 2012. On that date, prior contributions from the Broyhill Family Foundation were donor-restricted to permanently fund Broyhill Family Foundation Scholarships.

The endowment fund is subject to donor restrictions that stipulate all cash, including collections from Broyhill-funded education loans contributed to the endowment, be deposited into a National College Savings Plan Section 529 account. These donor restrictions also stipulate that earnings in this account as of December 31, 2013, and annually thereafter, be made available to Mars Hill College, Gardner-Webb University and Lenoir-Rhyne University for Broyhill Family Foundation Scholarships to students in their business schools.

The State of North Carolina enacted the North Carolina (NC) Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective March 2009, the provisions of which apply to endowment funds existing on or established after that date. Absent donor stipulations to the contrary, the provisions of this state law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gifts.

As a result of the Foundation's interpretation of UPMIFA, the Foundation classifies as permanently restricted net assets (1) the original dollar value of the donor-restricted endowment funds on the date of the gift and (2) accumulations to the permanent endowment made in accordance with the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the direction of the gift instrument and the standard of prudence described in UPMIFA.

Board-Designated Quasi-Endowment

On March 27, 1985, the Board of Trustees passed a resolution which established the Special Scholarship Fund in honor of Victor E. Bell, Jr., for his many years of service to the Foundation as Chairman of the Board. The Board then passed a resolution which authorized the transfer of $1,000,000 of Foundation assets from the Operating Fund and the Direct and Special Loan Funds to the Special Scholarship Fund and specified that all unrestricted contributions received by the Foundation after March 27, 1985, be added to the Special Scholarship Fund. Subsequent resolutions specified that Special Scholarship funds including future contributions, transfers, and income could be used to fund education loans.

On May 9, 2007, the Board passed a resolution which authorized the officers of the Foundation to utilize monies in the Special Scholarship Fund to annually fund scholarships under the Victor E. Bell, Jr. Scholarship Program. See Note 2.M. for more information regarding this scholarship program. The Board then passed a resolution which specified that net rental income from the Foundation's Yonkers Road rental property be transferred to the Special Scholarship Fund once all rental upfit costs were recovered. During the year ended June 30, 2013, transfers of net rental income from the Operating Fund to the Special Scholarship Fund totaled $226,756.

12. Endowment Funds (Continued)

Investment Return Objectives and Strategies

The Foundation has adopted investment policies for endowment assets that attempt to subject the funds to low investment risk, provide income for future scholarships, and ensure the long-term financial health of the endowment funds. N.C. College Savings and Investment Program (NCSP) Section 529 accounts are invested in a fixed price fund with the price per unit set at $1.00 and unlimited insurance coverage by the National Credit Union Administration.

Spending Policy

Earnings on the Broyhill Family Foundation NCSP account are made available for scholarships as directed by the Broyhill gift instrument.

The Foundation makes annual awards to recipients of the Victor E. Bell, Jr. Scholarship in accordance with the policy and procedures approved by the Board of Trustees. In establishing these policies and procedures, the Foundation considered the expected long-term return on Special Scholarship Fund assets as well as rental income from the Yonkers Road rental property. Awards are held in NCSP accounts until disbursements are made for the scholarship recipients' college expenses. The first disbursements were made to recipients entering college Fall of 2013.

See Note 22 regarding the March 2012 Special Scholarship Fund purchase of education loans originated by the Moore County Trusts.

The Foundation expects the current spending policies to sustain its endowment funds.

The endowment net asset composition by type of fund and changes in endowment assets for the year ended June 30, 2013, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$	$ 4,269	$ 555,000	$ 559,269
Board-Designated Endowment Funds	3,942,513			3,942,513
	$ 3,942,513	$ 4,269	$ 555,000	$ 4,501,782

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets--July 1, 2012	$ 3,708,000	$	$	$ 3,708,000
Donor Reclassification of Prior Contributions			551,704	551,704
Investment Return:				
Net Investment Income	4,674	4,269		8,943
Education Loan Net Income	3,083		3,296	6,379
Board-Directed Transfer	226,756			226,756
Endowment Net Assets--June 30, 2013	$ 3,942,513	$ 4,269	$ 555,000	$ 4,501,782

12. Endowment Funds (Concluded)

Comparative data for the year ended June 30, 2012, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-Designated Endowment Funds	$ 3,708,000	$ 0	$ 0	$ 3,708,000

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets--July 1, 2011	$ 3,698,109	$	$	$ 3,698,109
Investment Return:				
Net Investment Income	4,002			4,002
Education Loan Net Income	5,889			5,889
Endowment Net Assets--June 30, 2012	$ 3,708,000	$ 0	$ 0	$ 3,708,000

13. Investment Expenses

During the years ended June 30, 2013 and 2012, investment expenses of $1,672 and $539, respectively, were netted against interest income earned on the Foundation's N.C. College Savings and Investment Program accounts.

14. Unamortized Lease Commission

Unamortized lease commission at June 30, 2013 and 2012, was as follows:

	2013	2012
Lease Commission	$ 261,691	$ 261,691
Less Accumulated Amortization	183,184	157,014
Unamortized Lease Commission	$ 78,507	$ 104,677

For the years ended both June 30, 2013 and 2012, amortization expense was $26,170 and $26,169, respectively. Future amortization expense is as follows:

Fiscal Year Ending June 30	
2014	$ 26,169
2015	26,169
2016	26,169
Future Amortization Expense	$ 78,507

15. Rental Income

The Foundation leases the Yonkers Road building to a tenant under a noncancelable operating lease which commenced on July 15, 2006, and expires June 30, 2016. During the year ended June 30, 2013, rental expenses of $248,698, including $99,020 in depreciation expense, were netted against rental income of $445,492. During the year ended June 30, 2012, rental expenses of $239,315, including $98,097 in depreciation expense, were netted against rental income of $438,737.

15. Rental Income (Continued)

Future minimum rentals under this lease at June 30, 2013, not including a five-year renewal option, are:

Fiscal Year Ending June 30		
2014	$	452,247
2015		459,003
2016		465,760
Future Minimum Rents	$	1,377,010

16. Staff Retirement Benefits

The Foundation established a contributory pension plan, effective July 1, 1968, funded through individual annuity contracts with Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF). The plan rules have been modified from time to time. Since November 16, 1977, employees may elect to make their contributions to this plan through salary reduction. Since July 1, 1989, for employees who have attained age 21 and have completed two years of employment, participation is mandatory at a level of at least 2 percent of salary; employees may choose to participate at a higher level. At the point at which participation becomes mandatory, the Foundation will begin making matching contributions based on a scale, effective July 1, 1991, of 2 to 6 percent related to the amount the employee contributes. Total pension plan expense for the years ended June 30, 2013 and 2012, was $390,815 and $397,279, respectively. Total employee contributions to this plan through salary reduction for the two referenced periods amounted to $752,650 and $765,161, respectively.

On January 1, 2010, the Foundation established a deferred compensation plan in accordance with the requirements under the Internal Revenue Code Section 457(b). An eligible participant is any employee whose compensation is among the top 5% of all employees and who is either an officer of the Foundation or holds the title of General Counsel. Contributions are deferred from the participant's salary and held by TIAA-CREF. Participants are fully vested in the plan upon entry, and asset allocation is directed by the participant. At June 30, 2013 and 2012, the assets and liabilities related to the plan totaled $103,565 and $76,368, respectively.

On September 23, 1992, the Board of Trustees passed a resolution that the Foundation should maintain the Key Employee Insurance policy in the amount of $150,000 on Duffy L. Paul, President Emeritus, following his retirement. The Foundation continued as owner of the policy until his death in March 2008. At that time, arrangements were made to begin annual distributions over a period of ten years to his designated beneficiary as provided in a special agreement authorized by the Board.

At June 30, 2013, future distributions under this deferred compensation arrangement are as follows:

Fiscal Year Ending June 30		
2014	$	13,791
2015		14,084
2016		14,383
2017		14,688
	$	56,946

17. Postretirement Benefits

In addition to providing pension benefits, the Foundation maintains a postretirement benefit plan (welfare benefit plan) for the purpose of reimbursing eligible retirees for postretirement medical and dental insurance premiums. In order to be eligible for reimbursements, an employee must retire on or after age 60 and have been a "full-time" employee with the Foundation for at least 10 years.

Effective July 1, 2012, the Foundation established a Voluntary Employee Beneficiary Association (VEBA) Trust to fund the postretirement benefit obligation. Within the VEBA Trust, an account was created for each current employee with at least one year of full-time service as of June 30, 2012. The Foundation may, at its discretion, contribute to the VEBA Trust from time to time.

The Foundation also created unfunded Notional accounts effective July 1, 2012 for all current employees with at least one year of full-time service as of June 30, 2012. The initial account balance was allocated based on years of service. The Foundation may, at its discretion, credit additional amounts to these accounts annually. As amounts are funded, the value of the individual Notional accounts will decrease by such funded amount while the value of the individual VEBA Trust accounts will increase. An employee's total account balance will be comprised of an unfunded Notional account and a funded VEBA Trust account.

Eligible employees who retire prior to July 1, 2014 will be eligible to receive a reimbursement amount based on their years of service as shown in the table below. Payment of all or a portion of an eligible retiree's medical and dental insurance premiums will remain an obligation of the Foundation even if not fully funded under the VEBA Trust.

Years of Service	Percentage of Premiums
10 but less than 15 years	25%*
15 but less than 20 years	50%*
20 but less than 25 years	75%*
25 or more Years of Service	100%*

* Up to a maximum not to exceed an amount equal to the same percentage portion of the monthly premiums paid by the Foundation for the medical and dental plans for a current single full-time employee.

Eligible employees who retire after June 30, 2014 will be eligible to receive reimbursement of medical and dental insurance premiums from their own individual VEBA Trust account and, otherwise, from Operating Fund cash of the Foundation up to the amount allocated to their Notional account.

At July 1, 2012, an adjustment of $7,120,527 was applied to reflect the curtailment resulting from the change in the Foundation's postretirement benefit plan.

The postretirement benefit plan is viewed as a deferred compensation arrangement whereby the Foundation promises to exchange future benefits for employees' current services. The Foundation records annual amounts relating to the plan based on calculations that incorporate various actuarial and other assumptions including discount rates, mortality, assumed rates of return, and healthcare cost trend rates. All required calculations were prepared by Stanley Benefit Services, actuaries, using pertinent data for the Foundation's staff.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
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17. Postretirement Benefits (Continued)

The Foundation recognizes the funded status of the defined benefit portion of its postretirement benefit plan on a net basis as an asset or liability and recognizes changes in that funded status in the year in which the changes occur through a charge to unrestricted net assets to the extent those changes are not included in net periodic benefit cost. The funded status is reported on the statement of financial position as the difference between the fair value of plan assets and the benefit obligation.

Information with respect to this plan as of and for the years ended June 30, 2013 and 2012 is as follows:

	2013	2012
Change in Benefit Obligation:		
Benefit Obligation at End of Prior Plan Year	$ (5,152,252)	$ (5,995,061)
Service Cost	0	(435,549)
Interest Cost	(97,837)	(302,198)
Amendments	(4,237,414)	4,237,414
Actuarial Gain (Loss)	2,475	(2,685,806)
Actual Distributions	47,075	28,948
Curtailment	7,120,527	0
Benefit Obligation at End of Year	$ (2,317,426)	$ (5,152,252)
Change in Plan Assets:		
Plan Assets at Fair Value at Beginning of Year	$ 0	$ 0
Actual Return on Plan Assets	393	0
Acquisition/Transfers In	11,735	0
Actual Employer Contributions	928,710	28,948
Other	(268,898)	0
Actual Distributions	(47,075)	(28,948)
Plan Assets at Fair Value at End of Year	$ 624,865	$ 0
Funded Status = Net Asset / (Liability) at End of Fiscal Year = Minimum Liability at FYE	$ (1,692,561)	$ (5,152,252)
Amounts Recognized in Statement of Financial Position:		
Non-Current Liabilities	$ (1,692,561)	$ (5,152,252)
(Accrued) / Prepaid Cost (pre-Statement of Financial Position Item)	1,806,315	(5,745,072)
Net Adjustment to Unrestricted Net Assets	$ (3,498,876)	$ 592,820
Amounts Recognized in Unrestricted Net Assets:		
Unrecognized Net Prior Service Cost	$ 23,888	$ (4,049,223)
Unrecognized Net (Gain) / Loss	3,474,988	3,456,403
Net Amount Recognized	$ 3,498,876	$ (592,820)
(Accrued) / Prepaid Cost, pre-Statement of Financial Position Item:		
(Accrued) / Prepaid Cost at Beginning of Fiscal Year	$ (5,745,072)	$ (4,985,548)
Net Periodic Postretirement Benefit (Cost) / Income	(357,435)	(788,472)
Actual Employer Contributions	928,710	28,948
Effect of Curtailment	6,980,112	0
(Accrued) / Prepaid Cost at End of Fiscal Year	$ 1,806,315	$ (5,745,072)
Net Periodic Postretirement Benefit Cost / (Income):		
Service Cost	$ 0	$ 435,549
Interest Cost	97,837	302,198
Amortization of Prior Service Cost	23,888	50,725
Amortization of Net (Gain) / Loss	235,710	0
Net Periodic Postretirement Benefit Cost / (Income)	357,435	788,472
Effect of Curtailment	(6,980,112)	0
Total NPPBC plus Special Events	$ (6,622,677)	$ 788,472

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013 and 2012

17. Postretirement Benefits (Continued)

	2013	2012
Other Changes in Plan Assets and Benefit Obligations Recognized in Statement of Activities:		
Net (Gain) / Loss	$ 254,295	$ 2,685,806
New Prior Service Cost	4,237,414	(4,237,414)
Amortization of Prior Service Cost	(23,888)	(50,725)
Curtailed Prior Service Cost	(140,415)	0
Amortization of Net Gain / (Loss)	(235,710)	0
Total Recognized in Unrestricted Net Assets	4,091,696	(1,602,333)
Net Periodic Postretirement Benefit Cost / (Income)	(6,622,677)	788,472
Total Recognized in Statement of Activities	$ (2,530,981)	$ (813,861)
Reconciliation of Minimum Statement of Financial Position Liability:		
Statement of Financial Position Liability (Beginning of Year)	$ (5,152,252)	$ (5,995,061)
Total NPPBC plus Special Events	6,622,677	(788,472)
Actual Employer Contributions	928,710	28,948
Statement of Financial Position Adjustment	(4,091,696)	1,602,333
Statement of Financial Position Liability (End of Year)	$ (1,692,561)	$ (5,152,252)
Actuarial Assumptions:		
Weighted Average Assumptions:		
Discount Rate--Net Periodic Benefit Cost	4.1%	5.5%
Discount Rate--Benefit Obligation	4.7%	4.1%
Assumed Healthcare Cost Trend Rates:		
Healthcare Cost Trend Rate Assumed for Next Year	8.5%	8.5%
Rate to which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	5.0%	5.0%
Year that the Rate reaches the Ultimate Trend	2020	2019

Plan assets by category at June 30, 2013:

Investment Category	Market Value	Percent
Transfers in for New Retirees	$ 11,735	1.9%
New Contribution	255,695	40.9%
Additional Contribution	357,435	57.2%
Net Assets	$ 624,865	100.0%

The Foundation expects to contribute at least $356,000 in postretirement benefits during the fiscal year ending June 30, 2014.

Benefits expected to be paid in the future are as follows:

Fiscal Year Ending June 30	
2014	$ 88,000
2015	107,000
2016	130,000
2017	158,000
2018	218,000
2019-2023	1,663,000

During the year ended June 30, 2013, the Foundation contributed an additional $3,106,339 to the VEBA Trust to fund postretirement benefits for those eligible employees outside of the defined benefit portion of its postretirement benefit plan.

17. Postretirement Benefits (Concluded)

The VEBA Trust's primary investment objective is protection of capital and long-term rates of return by investing in a prudent manner and avoiding high-risk investments. The Foundation's plan asset allocation strategy provides for diversification in both fixed income and equity securities so as to provide a balance to the investment portfolio, thereby avoiding undue risk concentration in any single asset class or investment category. The Foundation's Employee Benefit Plans Investment Oversight Committee has the authority to make adjustments to the asset allocations in order to maintain target allocation in the VEBA Trust and to make any permanent changes in policy.

At June 30, 2013, the target and current plan asset allocations were as follows:

	Target	Ranges	Actual
Cash and Cash Equivalents	10%	5-20%	9.9%
Debt Securities:			
Government Bonds	20%	10-35%	20.0%
Corporate Bonds	35%	30-70%	35.1%
Equity Securities:			
Large Blend	5%	2-15%	5.0%
Large Growth	10%	5-25%	10.0%
Large Value	10%	5-25%	10.0%
Moderate Allocation	10%	5-20%	10.0%

Plan assets held in the VEBA Trust are measured at fair value, based on quoted market prices when available. The fair value hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

At June 30, 2013, plan assets held in the VEBA Trust measured at fair value on a recurring basis, all at Level 1 in the fair value hierarchy, were as follows:

Cash and Cash Equivalents	$ 398,752
Mutual Funds:	
Government Debt Securities	806,633
Corporate Debt Securities	1,410,856
Large Blend Equity Securities	201,886
Large Growth Equity Securities	403,028
Large Value Equity Securities	403,151
Moderate Allocation Equity Securities	403,529
	$ 4,027,835

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D) and a non-taxable federal subsidy of certain prescription drug claims to sponsors of retiree health care benefit plans. The Foundation has not determined if the prescription drug benefits provided under its postretirement health care plan are at least actuarially equivalent to the prescription drug benefits offered under Medicare Part D and has not applied for the subsidy under the Act.

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18. Property Protection and Liability Insurance

In addition to insurance covering property and equipment, the Foundation maintains a second IBM iSeries computer at a remote location in order to minimize the suspension of business and to continue operations in the event of a disaster. The Foundation also maintains Employee Dishonesty coverage and Errors and Omissions coverage on its employees, both in the amount of $1,000,000, as well as Employed Lawyers Professional Liability coverage in the amount of $10,000,000. The Foundation, as administrator of North Carolina's National College Savings Program, by contract requires each Investment Manager, State Employees' Credit Union, MetLife, and Vanguard, to maintain commercially reasonable insurance.

19. Executives and Trustees' Liability and Life Insurance

The Foundation maintains a liability policy on its officers and trustees in the amount of $10,000,000.

The Foundation is also owner and beneficiary of life insurance policies, totaling $200,000, on two executives. The original policy covering one executive was used to purchase a Single Premium Income Annuity which funds the premium on a term life insurance policy for this executive; the other executive is covered under a newer, separate term life insurance policy. The cash value of the annuity as of June 30, 2013 and 2012, totaled $11,346 and $11,192, respectively.

20. Marketing and Advertising

The Foundation uses marketing and advertising to promote the various programs it services. The costs of marketing and advertising are expensed as incurred. During the years ended June 30, 2013 and 2012, marketing and advertising costs totaled $2,924,618 and $2,882,566, respectively.

21. Functional Expenses

At June 30, 2013 and 2012, expenses as listed on the Schedules of Activities can be classified into the following functional expense categories:

	2013			2012		
	As Originally Reported	Restatement Adjustments	As Restated	As Originally Reported	Restatement Adjustments	As Restated
Program Services	$ 31,548,177	$ (386,094)	$ 31,162,083	$ 27,310,666	$ (600,351)	$ 26,710,315
Management and General	2,192,216		2,192,216	2,061,013		2,061,013
	$ 33,740,393	$ (386,094)	$ 33,354,299	$ 29,371,679	$ (600,351)	$ 28,771,328

Program service expenses include costs directly related to the administration of the Federal Family Education Loan Program and other student financial assistance programs. Management and general expenses are not directly identifiable with a student financial assistance program activity but are indispensable to the conduct of that activity and to the Foundation's existence.

22. Trustee and Agency Funds

The Foundation has served as the court-appointed trustee for certain funds that were made available for Federal Stafford Loans under the Foundation's Special Loan Fund Program. Principal collected from borrowers was previously processed and recycled into new education loans. Interest was paid quarterly and was based on the applicable interest rate for the funded education loans plus any special allowance, less any excess interest, if applicable, and borrower benefits and adjusted for the Foundation's service fees and any amount not outstanding in loans.

On March 26, 2012, the Clerk of Superior Court of Moore County, NC approved the resignation of College Foundation, Inc. as trustee of certain educational trusts and the appointment of Sandhills Community College Foundation, Inc. as successor trustee effective March 31, 2012. To facilitate this transfer, education loan assets belonging to the educational trusts as of March 31, 2012 totaling $744,615 were purchased by the Special Scholarship Fund.

In June 2012, the Foundation awarded $520,000 in one-time Byrum-Mansfield Scholarships to 57 qualifying needy students nominated by their Durham County high schools. These awards brought the assets of the Byrum-Mansfield Memorial Fund to a $0 balance at June 30, 2012.

Since July 1985, the Foundation has served as agent for banks participating under the conditions of the Master Purchase Agreement or the Amended and Restated Master Purchase and Sale Agreement which provide for education loans to be "assigned" to the funding bank, making it the legal "holder." Under the terms of the Servicing Agreements for the assigned loans, the Foundation promptly remits to the banks all principal and interest payments collected from borrowers. Upon the receipt of the net interest subsidy and special allowance payments from the U.S. Department of Education each quarter, the Foundation deducts its service fee provided for in the Servicing Agreements and promptly remits the remainder to each bank or submits a billing to each bank.

In July 1991, the Foundation entered into the first Special Fund Purchase Agreement which provided for education loans to be "assigned" to a Special Fund participant, making it the legal "holder." Under the Servicing Agreement also executed by such participants, the Foundation, as agent for the funds providers, collects the loans and remits to the Special Fund participants all principal and interest payments collected from borrowers. The Foundation submits quarterly reports, as applicable, to the U.S. Department of Education, promptly processes net interest and special allowance, and notifies the Special Fund participants of the amount due from or due to the Foundation. The Foundation either deducts its service fee from borrower interest collections or submits a billing to the participants for the service fee due for the quarter.

In addition to serving as agent for the Special Fund and bank participants with respect to assigned loans, the Foundation services Federal Stafford Loans (subsidized and unsubsidized), Federal PLUS Loans, and Federal Consolidation Loans funded and/or sponsored by the N.C. State Education Assistance Authority. As principal and interest on these loans are collected from the borrowers, the funds are remitted promptly to the N.C. State Education Assistance Authority or its designated trustee. The Foundation promptly processes net U.S. Department of Education interest subsidy and special allowance each quarter and notifies the N.C. State Education Assistance Authority or its designated trustee of the amount due from or due to the Foundation. The Foundation also submits a billing quarterly to the N.C. State Education Assistance Authority or its designated trustee for the service fees on these loans.

22. Trustee and Agency Funds (Continued)

On May 7, 2008, President Bush signed the Ensuring Continued Access to Student Loans Act (ECASLA). Pursuant to ECASLA, the Department financed eligible FFELP loans through a conduit vehicle established to provide funding for lenders (the "Conduit Program"). Loans eligible for the Conduit Program must have been first disbursed on or after October 1, 2003, but not later than July 1, 2009, and fully disbursed not later than September 30, 2009, and meet certain other requirements. The Conduit Program, which was launched on May 11, 2009, has a term of approximately five years, provided that certain extreme events do not occur and cause a premature termination (such as a liquidity event with respect to the conduit vehicle). Funding for the Conduit Program was provided by the capital markets at a cost based on market rates, with the lender being advanced 97 percent of the outstanding principal of pledged FFELP loans plus accrued, unpaid interest to be capitalized, minus certain costs. The N.C. State Education Assistance Authority elected to participate in the Conduit Program as a way to refinance existing debt. A Funding Note Purchase Agreement dated January 14, 2010 (amended and restated as of July 1, 2010) was executed by Straight-A Funding, LLC, as Conduit Lender; the State Education Assistance Authority, as Funding Note Issuer, Master Servicer and Sponsor; College Foundation, Inc., as Eligible Lender Trustee; The Bank of New York Mellon, as Conduit Administrator, Securities Intermediary and Conduit Lender Eligible Lender Trustee; and BMO Capital Markets Corp., as Manager. Under this Agreement, the N.C. State Education Assistance Authority issued a Funding Note, pursuant to which it promised to repay the outstanding balance by a date certain. Eligible FFELP loans served as security for this repayment. Title to these FFELP loans was transferred by the Authority to the Foundation, as Eligible Lender Trustee, on the date the loans were pledged to the Conduit Lender. The first Advance under the Conduit Program was completed on February 9, 2010 and the second Advance on May 20, 2010. On August 23, 2012 and January 24, 2013, the N.C. State Education Assistance Authority issued Student Loan Backed Notes, the proceeds from which were utilized to release the Conduit Lender's and the Conduit Lender Eligible Lender Trustee's right, title, and interest in all education loans financed under the Conduit Program.

The assets and liabilities attributable to these loan funds and to the grant, scholarship, and college savings and investment programs that the Foundation administers for the N.C. State Education Assistance Authority, as outlined in Note 2, are reflected in Schedules 4 and 5.

23. Concentration of Credit Risk

The Foundation maintains cash balances at financial institutions located in Raleigh, North Carolina. The aggregate balance at each financial institution was insured by the Federal Deposit Insurance Corporation up to $250,000 with the exception of two checking accounts which were eligible for unlimited insurance coverage through December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are no longer insured separately from depositors' other accounts at the same financial institution.

At June 30, 2013 and 2012, the Foundation's uninsured cash balances totaled $19,771,546 and $25,277,974, respectively. This amount is derived per a review of bank account balances and not the Foundation's "book" balances as of June 30, 2013 and 2012.

COLLEGE FOUNDATION, INC.
Notes to Financial Statements
June 30, 2013 and 2012

24. Restatement of Financial Statements

During the years ended June 30, 2013 and 2012, the Foundation incorrectly expensed the costs of certain software developed in-house. The error was discovered after financial statements were issued on September 27, 2013. Accordingly, adjustments have been made and the accompanying financial statements have been restated.

The effect of the restatement adjustments (only affecting unrestricted net assets) on the statements of financial position is as follows:

	2013			2012		
	As Originally Reported	Restatement Adjustments	As Restated	As Originally Reported	Restatement Adjustments	As Restated
ASSETS:						
Cash/Receivables/Other	$ 31,574,259	$	$ 31,574,259	$ 32,279,141	$	$ 32,279,141
Property and Equipment	17,031,195	986,445	18,017,640	18,042,982	600,351	18,643,333
Total Assets	$ 48,605,454	$ 986,445	$ 49,591,899	$ 50,322,123	$ 600,351	$ 50,922,474
LIABILITIES	$ 12,403,217	$	$ 12,403,217	$ 14,452,256	$	$ 14,452,256
NET ASSETS	36,202,237	986,445	37,188,682	35,869,867	600,351	36,470,218
Total Liabilities and Net Assets	$ 48,605,454	$ 986,445	$ 49,591,899	$ 50,322,123	$ 600,351	$ 50,922,474

The effect of the restatement adjustments (only affecting unrestricted net assets) on the statements of activities is as follows:

	2013			2012		
	As Originally Reported	Restatement Adjustments	As Restated	As Originally Reported	Restatement Adjustments	As Restated
CHANGES IN NET ASSETS:						
Total Revenues	$ 38,164,459	$	$ 38,164,459	$ 28,361,040	$	$ 28,361,040
Total Expenses	33,740,393	(386,094)	33,354,299	29,371,679	(600,351)	28,771,328
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	4,424,066	386,094	4,810,160	(1,010,639)	600,351	(410,288)
NONOPERATING:						
Postretirement-Related Changes other than Net Periodic Postretirement Benefits Cost	(4,091,696)		(4,091,696)	1,602,333		1,602,333
CHANGES IN NET ASSETS	332,370	386,094	718,464	591,694	600,351	1,192,045
NET ASSETS:						
Beginning of Year	35,869,867	600,351	36,470,218	35,278,173		35,278,173
End of Year	$ 36,202,237	$ 986,445	$ 37,188,682	$ 35,869,867	$ 600,351	$ 36,470,218

25. Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform with the 2013 financial statement presentation. Such reclassifications had no effect on net assets or cash flows.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COLLEGE FOUNDATION, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Program Title	Federal CFDA Number	Interest	Special Allowance
U. S. Department of Education--Direct Program			
Federal Family Education Loan Program (FFELP) (Lender) (Financial Statement Notes 2A, 3, and 9)	84.032L	$ 14,688,017	$ 770,079
Less amounts received by the Foundation as an agent for other funds providers		14,677,671	769,139
Net FFELP (SEFA Note 2)		10,346	940
U. S. Department of Education--Other			
Student Financial Assistance Cluster (SEFA Note 3)	SFAC		
TOTALS		$ 10,346	$ 940

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

Total Awards	Total Expenditures
$ 15,458,096	$
15,446,810	
11,286	11,286
0	0
$ 11,286	$ 11,286

COLLEGE FOUNDATION, INC.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2013

1. Basis of Accounting and Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award/expenditure activity of College Foundation, Inc. under programs of the federal government for the year ended June 30, 2013 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of College Foundation, Inc., it is not intended to and does not present the financial position, change in net assets, or cash flows of College Foundation, Inc.

2. Federal Family Education Loan Program

At June 30, 2013, the balance of Federal Family Education Loan Program (FFELP) loans funded by the Foundation totaled $1,172,602. Interest and special allowance due to the Foundation from the Department of Education for the quarter ended June 30, 2013 totaled $2,452. As of July 1, 2010, no new loans could be originated under the FFEL Program. Transactions relating to this program are included in the Foundation's basic financial statements.

3. Student Financial Assistance – Verification and C Code Resolution Services

During the year ended June 30, 2013, College Foundation, Inc. provided verification of certain Free Application for Federal Student Aid (FAFSA) data elements and C Code resolution services as required by the Department of Education to assist financial aid offices at eleven North Carolina community colleges, two constituent institutions of the University of North Carolina, and one out-of-state school. These services were performed by the Foundation on behalf of the N.C State Education Assistance Authority for the North Carolina schools. College Foundation, Inc. receives no federal monies for these services, either directly or as a subrecipient.

COMPLIANCE AND INTERNAL CONTROL REPORTS

KWH Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
College Foundation, Inc.
Raleigh, North Carolina

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of College Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered College Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of College Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of College Foundation, Inc. in a separate letter dated December 30, 2013.

Purpose of this Report

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

Koonce, Wooten & Haywood, L.L.P.

Raleigh, North Carolina
December 30, 2013

KWH Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
College Foundation, Inc.
Raleigh, North Carolina

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited College Foundation, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Foundation's major federal programs for the year ended June 30, 2013. College Foundation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of College Foundation, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about College Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of College Foundation, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, College Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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Report on Internal Control over Compliance

Management of College Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered College Foundation, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of College Foundation, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Koonce, Wooten & Haywood, L.L.P.

Raleigh, North Carolina
December 30, 2013

COLLEGE FOUNDATION, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness identified?	☐ Yes	☒ No
• Significant deficiency identified that is not considered to be material weakness?	☐ Yes	☒ None Reported
Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major programs:

• Material weakness identified?	☐ Yes	☒ No
• Significant deficiency identified that is not considered to be material weakness?	☐ Yes	☒ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	☐ Yes	☒ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.032L	Federal Family Education Loan Program (Lenders)
SFAC	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $463,743

Auditee qualified as low-risk auditee?	☒ Yes	☐ No

Section II – Financial Statement Findings

There were no findings relating to the financial statements required to be reported in accordance with generally accepted government auditing standards (GAGAS).

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs for the Federal award required to be reported under OMB Circular A-133.