

**Rhode Island Higher Education Savings Trust**  
(A Fiduciary Fund of the State of Rhode Island and Providence Plantations)

**Basic Financial Statements  
and  
Management's Discussion and Analysis  
June 30, 2020**

**(With Independent Auditor's Report Thereon)**

**Rhode Island Higher Education Savings Trust**  
(A Fiduciary Fund of the State of Rhode Island and Providence Plantations)

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## INDEPENDENT AUDITOR'S REPORT

State of Rhode Island Office of the General Treasurer  
Ascensus College Savings Recordkeeping Services, LLC, Program Manager  
Rhode Island Higher Education Savings Trust

### **Report on the Basic Financial Statements**

We have audited the accompanying statement of fiduciary net position and statement of changes in fiduciary net position of the **Rhode Island Higher Education Savings Trust (RIHEST)**, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise RIHEST's basic financial statements.

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

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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

State of Rhode Island Office of the General Treasurer  
Ascensus College Savings Recordkeeping Services, LLC, Program Manager  
Rhode Island Higher Education Savings Trust

**Opinion**

In our opinion, the basic financial statements referred to on the preceding page present fairly, in all material respects, the fiduciary net position of RIHEST as of June 30, 2020, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As disclosed in Note 1, RIHEST is included in the State of Rhode Island and Providence Plantations financial reporting entity as a fiduciary fund. These basic financial statements present only the activities and balances attributable to RIHEST and do not purport to, and do not, present fairly the fiduciary net position or changes in fiduciary net position of any other fiduciary funds of the state of Rhode Island and Providence Plantations as of and for the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, as it is considered to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information in management's discussion and analysis because the limited procedures we performed do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, on our consideration of RIHEST's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 RIHEST's internal control over financial reporting and compliance.

  
Certified Public Accountants

October 30, 2020  
Little Rock, Arkansas

**Management's Discussion and Analysis**  
**(Unaudited)**

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**Rhode Island Higher Education Savings Trust**  
**(A Fiduciary Fund of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2020**

This management's discussion and analysis is intended to provide readers an objective discussion of the financial statements of the Rhode Island Higher Education Savings Trust (RIHEST) as of and for the years ended June 30, 2020 and 2019. This discussion and analysis, which is supplementary information required by the Governmental Accounting Standards Board (GASB), is intended to provide a highly summarized overview of RIHEST's assets, liabilities, fiduciary net position and changes in fiduciary net position and should be read in conjunction with the RIHEST's financial statements and notes thereto, which are included on pages 22 through 36.

\* \* \* \* \*

RIHEST was created pursuant to Section 16-57-6.1 of the General Laws of Rhode Island and enables residents of Rhode Island and any other state to save money on a tax-advantaged basis to pay for qualified educational expenses through the Rhode Island Tuition Savings Program (the Program). The Program administered under RIHEST includes two savings plan options – CollegeBound 529, which is available exclusively through a financial advisor or registered investment advisor, and CollegeBound Saver, which is available without the assistance of a financial advisor or registered investment advisor. The Program is designed to comply with the requirements for treatment as a “qualified tuition program” under Section 529 of the Internal Revenue Code of 1986, as amended, and any regulations and other guidance issued thereunder. Assets of the Program are held in trust for account owners and their beneficiaries.

The Program is administered by the State of Rhode Island Office of the General Treasurer (the Treasurer) in conjunction with the Rhode Island Office of the Postsecondary Commissioner (which includes the Rhode Island Division of Higher Education), the Rhode Island State Investment Commission (SIC) and the Executive Director of the Rhode Island Student Loan Authority (collectively, the “State Administrators”). The Treasurer has administrative oversight of RIHEST and is responsible for implementing the Program, as well as establishing rules and regulations governing the Program. SIC is responsible for oversight of the investment of the Program's assets.

The Treasurer may contract with third-party service providers to perform administrative duties and to manage the Program's investments. Ascensus College Savings Recordkeeping Services, LLC (ACSR) serves as Program Manager, responsible for the day-to-day operations of the Program, including recordkeeping and administrative services and marketing, as specified in the Program Management Agreement executed by and between ACSR and the Treasurer, which expires in 2026 (inclusive of a 5-year automatic renewal period).

Invesco Advisers, Inc. (Invesco), The Vanguard Group, Inc. and BlackRock, Inc. provide investment management services in accordance with an asset allocation strategy recommended by Invesco and approved by SIC. Invesco provides all investment advisory services for the Program, pursuant to a Services Agreement executed by and between ACSR and Invesco that expires concurrently with the Program Management Agreement.

**Rhode Island Higher Education Savings Trust**  
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**Management's Discussion and Analysis**  
(Unaudited)  
June 30, 2020

**Overview of the Basic Financial Statements**

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

RIHEST is included in the financial reporting entity of the State of Rhode Island and Providence Plantations as a fiduciary fund. Assets are held in trust for account owners and beneficiaries and cannot be used to support other governmental programs.

RIHEST's basic financial statements are prepared in accordance with accounting and financial reporting standards for governmental entities set forth by the GASB. As required under generally accepted accounting principles applicable to fiduciary fund types, RIHEST's basic financial statements are prepared using the accrual basis of accounting. Investments in exchange-traded funds (ETFs) and mutual funds are reported at fair value, and investment contracts, which are held in a separate account, are reported at contract value. All investment transactions are recorded on a trade-date basis. Realized and unrealized gains and losses are reported as "net increase (decrease) in the fair value of investments" on the statement of changes in fiduciary net position. Dividends and capital gain distributions are recorded on the ex-dividend date rather than when they are received. Contributions are recognized when they are received, provided enrollment in RIHEST has been successfully completed, and withdrawals are recognized when the withdrawal request has been received and approved for payment. Net administrative fees are recognized when the related services are provided, regardless of when cash is paid.

**Financial Analysis**

Fiduciary Net Position

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total assets	\$ 5,259,020,545	\$ 5,694,854,883
Total liabilities	<u>94,160,388</u>	<u>14,397,634</u>
Net position held in trust for account owners and beneficiaries	<u>\$ 5,164,860,157</u>	<u>\$ 5,680,457,249</u>



**Rhode Island Higher Education Savings Trust**  
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**Management's Discussion and Analysis**  
(Unaudited)  
June 30, 2020

**Financial Analysis (Continued)**

Fiduciary Net Position (Continued)

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

Investments, which totaled \$5.2 billion and \$5.7 billion at June 30, 2020 and 2019, respectively, represent over 99% of RIHEST's total assets. Account owners are able to direct investment of their contributions into one or more investment options and unit classes, each of which is invested in one or more mutual funds, ETFs or investment contracts (the Underlying Funds) in accordance with an asset allocation strategy approved by SIC.

Other assets, which totaled \$79.8 million at June 30, 2020, and \$6.5 million at June 30, 2019, comprise amounts to be invested or distributed on behalf of account owners and their beneficiaries and receivables for proceeds from Underlying Fund sales transactions. RIHEST's liabilities, which totaled \$94.2 million at June 30, 2020, and \$14.4 million at June 30, 2019, comprise net accrued administrative fees, payables for withdrawals approved but not yet paid and payables for Underlying Fund purchase transactions.

Changes in Fiduciary Net Position

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

	<u>Year Ended</u> <u>June 30, 2020</u>	<u>Year Ended</u> <u>June 30, 2019</u>
Contributions	\$ 260,353,127	\$ 266,564,834
Net investment income	75,442,388	241,864,398
Withdrawals	(829,621,839)	(830,891,176)
Net administrative fees and expenses	<u>(21,770,768)</u>	<u>(29,600,303)</u>
Net decrease	(515,597,092)	(352,062,247)
Net position held in trust for account owners and beneficiaries, beginning of year	<u>5,680,457,249</u>	<u>6,032,519,496</u>
Net position held in trust for account owners and beneficiaries, end of year	<u>\$ 5,164,860,157</u>	<u>\$ 5,680,457,249</u>

**Rhode Island Higher Education Savings Trust**  
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**Management's Discussion and Analysis**  
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**Investment Commentary**

Global equity markets faced volatility in the second and third quarters of 2019, hampered by ongoing US and China trade issues, potential for new tariffs and weakening global economic growth. Disagreement within the UK regarding its withdrawal from the European Union increased uncertainty for the UK and Eurozone economies. Much of 2019 showed slowing manufacturing activity and declining business investment, which was evidence that trade tensions were stifling economic growth across both developed and emerging markets. Global recession concerns caused a sharp equity sell-off in August 2019, as investors crowded into asset classes perceived as safe havens, including US Treasuries and gold. Third quarter macroeconomic and geopolitical issues mostly abated during the fourth quarter, providing a favorable backdrop for global equity returns. In response to third quarter economic weakness, central banks maintained accommodative policies, with the US Federal Reserve (the Fed) cutting interest rates in October 2019 and the European Central Bank restarting net purchases in its asset purchase program in November. Better economic data and signs of progress in US and China trade talks also supported global equities. The UK's general election in December delivered a decisive victory to the conservative party, reaffirming the original Brexit vote and the UK's eventual exit from the European Union.

Global equity markets started 2020 well, buoyed by positive economic data and the phase one signing of the US and China trade deal. However, initial optimism was dampened by the outbreak of the new coronavirus pandemic (COVID-19 pandemic) that swiftly spread from China to other global regions. Global equity markets fell sharply as the human and economic cost of the COVID-19 pandemic mounted. At the same time, oil prices fell sharply as a price war between Saudi Arabia and Russia threatened to boost supply even as demand was falling. The US bull market came to an abrupt end, while emerging equity markets also fell sharply. As fear of a worldwide recession increased, central banks around the world took aggressive action to support both local markets and the global economy. The global spread of the COVID-19 pandemic continued into the second quarter of 2020. However, many countries achieved some success in controlling the spread of the virus and were able to slowly re-open their economies. Capital markets benefited from the policy response to the crisis, which was swift and encouraging. Many economies received fiscal stimulus and very significant monetary stimulus. Beginning in March, the Fed began implementing a package of policy tools including unlimited quantitative easing, various lending facilities and the Main Street Lending Program. This coupled with the Fed's assurances that it would provide whatever monetary support was needed, helped build confidence in markets and encouraged "risk-on" sentiment. The massive monetary policy response created an environment during the second quarter where investors embraced risk. Stocks rose globally after a deep rout in the first quarter. In this environment, global equity markets produced mixed returns for the fiscal year. Despite the increased volatility, the S&P 500 Index produced a positive return over the period while international markets declined.

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**Management's Discussion and Analysis**  
(Unaudited)  
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**Investment Commentary (Continued)**

**CollegeBound 529 Investment Options**

Age-Based Portfolios

- CollegeBound 529 offers eleven Age-Based Portfolios that are designed to correspond with the expected date of college enrollment.
- The asset allocation of the Age-Based Portfolios adjusts quarterly, becoming progressively more conservative as high school graduation and college enrollment approach.
- Each Age-Based Portfolio invests in multiple Underlying Funds.

Year Ended June 30, 2020			
Portfolio Name	Index Name	Portfolio Performance	+/- Index Performance
Invesco CollegeBound 2021-2022 Portfolio	Custom Invesco CollegeBound 2021-2022 Index	2.67%	-3.85%
Invesco CollegeBound 2023-2024 Portfolio	Custom Invesco CollegeBound 2023-2024 Index	2.64%	-3.73%
Invesco CollegeBound 2025-2026 Portfolio	Custom Invesco CollegeBound 2025-2026 Index	2.26%	-4.07%
Invesco CollegeBound 2027-2028 Portfolio	Custom Invesco CollegeBound 2027-2028 Index	1.90%	-4.66%
Invesco CollegeBound 2029-2030 Portfolio	Custom Invesco CollegeBound 2029-2030 Index	1.44%	-5.18%
Invesco CollegeBound 2031-2032 Portfolio	Custom Invesco CollegeBound 2031-2032 Index	0.76%	-5.85%
Invesco CollegeBound 2033-2034 Portfolio	Custom Invesco CollegeBound 2033-2034 Index	-0.08%	-6.01%
Invesco CollegeBound 2035-2036 Portfolio	Custom Invesco CollegeBound 2035-2036 Index	-0.99%	-6.32%
Invesco CollegeBound 2037-2038 Portfolio	Custom Invesco CollegeBound 2037-2038 Index	-1.54%	-6.53%
Invesco CollegeBound 2039-2040 Portfolio	Custom Invesco CollegeBound 2039-2040 Index	0.59% <sup>(1)</sup>	-0.26% <sup>(1)</sup>
Invesco CollegeBound Today Portfolio	Custom Invesco CollegeBound Today Index	2.10%	-2.35%

<sup>(1)</sup> The Invesco CollegeBound 2039-2040 Portfolio was added as an Age-Based Portfolio effective June 29, 2020. The portfolio performance for this portfolio is for the period June 29, 2020 – June 30, 2020.

**Rhode Island Higher Education Savings Trust**  
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**Investment Commentary (Continued)**

**CollegeBound 529 Investment Options (Continued)**

Age-Based Portfolios (Continued)

Year Ended June 30, 2019			
Portfolio Name	Index Name	Portfolio Performance	+/- Index Performance
Invesco CollegeBound 2019-2020 Portfolio	Custom Invesco CollegeBound 2019-2020 Index	3.96%	-2.58%
Invesco CollegeBound 2021-2022 Portfolio	Custom Invesco CollegeBound 2021-2022 Index	4.07%	-2.39%
Invesco CollegeBound 2023-2024 Portfolio	Custom Invesco CollegeBound 2023-2024 Index	4.22%	-2.49%
Invesco CollegeBound 2025-2026 Portfolio	Custom Invesco CollegeBound 2025-2026 Index	4.65%	-2.43%
Invesco CollegeBound 2027-2028 Portfolio	Custom Invesco CollegeBound 2027-2028 Index	4.69%	-2.73%
Invesco CollegeBound 2029-2030 Portfolio	Custom Invesco CollegeBound 2029-2030 Index	5.18%	-2.63%
Invesco CollegeBound 2031-2032 Portfolio	Custom Invesco CollegeBound 2031-2032 Index	5.21%	-2.44%
Invesco CollegeBound 2033-2034 Portfolio	Custom Invesco CollegeBound 2033-2034 Index	5.42%	-2.09%
Invesco CollegeBound 2035-2036 Portfolio	Custom Invesco CollegeBound 2035-2036 Index	5.69%	-1.81%
Invesco CollegeBound 2037-2038 Portfolio	Custom Invesco CollegeBound 2037-2038 Index	4.00% <sup>(1)</sup>	-1.62% <sup>(1)</sup>
Invesco CollegeBound Today Portfolio	Custom Invesco CollegeBound Today Index	2.84%	-1.69%

<sup>(1)</sup> The Invesco CollegeBound 2037-2038 Portfolio was added as an Age-Based Portfolio effective July 13, 2018. The portfolio performance for this portfolio is for the period July 13, 2018 through June 30, 2019.

The Age-Based Portfolios comprise different weightings of the funds listed below:

Invesco Stable Value Portfolio	Invesco S&P 500 Low Volatility ETF
Invesco Government & Agency Portfolio	Invesco S&P MidCap Low Volatility ETF
Invesco Short-Term Bond Fund	Invesco FTSE RAFI US 1500 Small-Mid ETF
Invesco Core Plus Bond Fund	Invesco FTSE RAFI Developed Markets ex-US ETF
Invesco Short Duration Inflation Protected Fund	Invesco Global Growth Fund
Invesco Floating Rate Fund	Invesco Global Real Estate Income Fund
Invesco Equally-Weighted S&P 500 Fund	Invesco FTSE RAFI Emerging Markets ETF
Invesco Diversified Dividend Fund	Invesco S&P Emerging Markets Low Volatility ETF
Invesco S&P 500 Pure Growth ETF	Invesco S&P International Developed Low Volatility ETF

**Rhode Island Higher Education Savings Trust**  
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**Management's Discussion and Analysis**  
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**Investment Commentary (Continued)**

**CollegeBound 529 Investment Options (Continued)**

Age-Based Portfolios (Continued)

The Age-Based Portfolios seek to achieve capital appreciation, income and preservation of capital as appropriate for proximity to their applicable target date. The target date is the year which corresponds to the potential college enrollment year of the beneficiary. The objectives of the Age-Based Portfolios become more focused on capital preservation and income as they approach their applicable target dates.

The Age-Based Portfolios allocate their assets to Underlying Funds consisting of ETFs and mutual funds, seeking to provide access to broad asset classes, including domestic US stocks, international stocks, bonds and cash.

The Underlying Funds represent different investment objectives and strategies. The allocation to broad asset classes and weights in the Underlying Funds are expected to change — reducing exposure to stocks and increasing holdings in fixed income and cash equivalents— until the beneficiary enrolls in college. The asset class allocations and investment in Underlying Funds may periodically be rebalanced or modified.

Target-Risk Portfolios

- CollegeBound 529 offers three Target Risk Portfolios, in which the asset allocation seeks to meet a specific investment goal and risk tolerance.
- The risk profile of each Target Risk Portfolio will be fixed over time.
- Each Target Risk Portfolio invests in multiple Underlying Funds.

Year Ended June 30, 2020			
Portfolio Name	Index Name	Portfolio Performance	+/- Index Performance
Invesco Conservative College Portfolio	Custom Invesco Conservative College Index	2.03%	-4.16%
Invesco Moderate College Portfolio	Custom Invesco Moderate College Index	0.51%	-5.24%
Invesco Growth College Portfolio	Custom Invesco Growth College Index	-2.36%	-6.44%

Year Ended June 30, 2019			
Portfolio Name	Index Name	Portfolio Performance	+/- Index Performance
Invesco Conservative College Portfolio	Custom Invesco Conservative College Index	4.62%	-2.42%
Invesco Moderate College Portfolio	Custom Invesco Moderate College Index	5.33%	-2.29%
Invesco Growth College Portfolio	Custom Invesco Growth College Index	5.41%	-1.81%

**Rhode Island Higher Education Savings Trust**  
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**Management's Discussion and Analysis**  
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**Investment Commentary (Continued)**

**CollegeBound 529 Investment Options (Continued)**

Target-Risk Portfolios (Continued)

The Target-Risk Portfolios comprise different weightings of the funds listed below:

Invesco Stable Value Portfolio	Invesco S&P 500 Low Volatility ETF
Invesco Government & Agency Portfolio	Invesco S&P MidCap Low Volatility ETF
Invesco Short-Term Bond Fund	Invesco FTSE RAFI US 1500 Small-Mid ETF
Invesco Core Plus Bond Fund	Invesco FTSE RAFI Developed Markets ex-US ETF
Invesco Short Duration Inflation Protected Fund	Invesco Global Growth Fund
Invesco Floating Rate Fund	Invesco Global Real Estate Income Fund
Invesco Equally-Weighted S&P 500 Fund	Invesco FTSE RAFI Emerging Markets ETF
Invesco Diversified Dividend Fund	Invesco S&P Emerging Markets Low Volatility ETF
Invesco S&P 500 Pure Growth ETF	Invesco S&P International Developed Low Volatility ETF

*Invesco Conservative College Portfolio*

The Invesco Conservative College Portfolio seeks to provide current income and some capital appreciation. This portfolio's indirect bond and cash holdings are a diversified mix of short-, intermediate- and long-term US government, US agency and investment-grade US corporate bonds; mortgage backed and asset-backed securities; and government, agency, corporate and securitized investment-grade foreign bonds issued in currencies other than the US dollar (but hedged by Invesco to minimize foreign currency exposure). This portfolio's indirect stock holdings are a diversified mix of US and foreign large-, mid- and small-capitalization stocks.

*Invesco Moderate College Portfolio*

The Invesco Moderate College Portfolio seeks to provide current income and some capital appreciation. This portfolio's indirect stock holdings are a diversified mix of US and foreign large-, mid- and small-capitalization stocks. This portfolio's indirect bond holdings are a diversified mix of short-, intermediate- and long-term US government, US agency and investment-grade US corporate bonds; mortgage backed and asset-backed securities; and government, agency, corporate and securitized investment-grade foreign bonds issued in currencies other than the US dollar.

*Invesco Growth College Portfolio*

The Invesco Growth College Portfolio seeks to provide capital appreciation. This portfolio's indirect stock holdings are a diversified mix of US and foreign large-, mid- and small-capitalization stocks. This portfolio's indirect bond holdings are a diversified mix of short-, intermediate- and long-term US government, US agency and investment-grade US corporate bonds; mortgage backed and asset-backed securities; and government, agency, corporate and securitized investment-grade foreign bonds issued in currencies other than the US dollar.

**Rhode Island Higher Education Savings Trust**  
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**Investment Commentary (Continued)**

**CollegeBound 529 Investment Options (Continued)**

Individual Portfolios

- CollegeBound 529 offers eleven Individual Portfolios, in which the composition of investments within the portfolio remains fixed over time.

Year Ended June 30, 2020			
Portfolio Name	Index Name	Portfolio Performance	+/- Index Performance
Invesco Core Plus Bond Portfolio	Bloomberg Barclays US Aggregate Index	8.01%	-0.73%
Invesco Diversified Dividend Portfolio	Russell 1000 Value Index	-7.83%	1.01%
Invesco Equally-Weighted S&P 500 Portfolio	S&P 500 Index TR	-3.66%	-11.16%
Invesco Equity and Income Portfolio	Russell 1000 Value Index	-3.55%	5.29%
Invesco MSCI World SRI Index Portfolio <sup>(1)</sup>	MSCI World SRI Index <sup>(1)</sup>	-4.03%	-12.48%
Invesco International Growth Portfolio	MSCI All Country World ex US Growth Index	-2.00%	-7.80%
Invesco Short Duration Inflation Protected Portfolio	BofA Merrill Lynch 1-5 Year US Inflation Linked Treasury	3.12%	-0.52%
Invesco Small Cap Growth Portfolio	Russell 2000 Growth Index	9.05%	5.57%
Invesco Stable Value Portfolio	Bloomberg Barclays US Treasury Bellwethers	1.82%	0.17%
Invesco FTSE RAFI Developed Markets ex-US Portfolio	MSCI EAFE Index	-12.04%	-6.91%
Invesco FTSE RAFI US 1500 Small-Mid Portfolio	Russell 2000 Index	-11.16%	-4.54%

<sup>(1)</sup> Effective June 29, 2020, the Invesco Global Sustainable Equity Portfolio changed its name to the Invesco MSCI World SRI Index Portfolio, and also changed its investment strategy from an actively managed portfolio to an indexing strategy based on the MSCI World SRI Index. Results prior to June 29, 2020, reflect the performance of the fund's previous strategy.

**Rhode Island Higher Education Savings Trust**  
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**Investment Commentary (Continued)**

**CollegeBound 529 Investment Options (Continued)**

Individual Portfolios (Continued)

Year Ended June 30, 2019			
Portfolio Name	Index Name	Portfolio Performance	+/- Index Performance
Invesco Core Plus Bond Portfolio	Bloomberg Barclays US Aggregate Index	7.51%	-0.36%
Invesco Diversified Dividend Portfolio	Russell 1000 Value Index	8.69%	0.23%
Invesco Equally-Weighted S&P 500 Portfolio	S&P 500 Index TR	7.55%	-2.87%
Invesco Equity and Income Portfolio	Russell 1000 Value Index	3.51%	-1.61%
Invesco Global Sustainable Equity Portfolio	MSCI World Index	-3.57%	-9.90%
Invesco International Growth Portfolio	MSCI All Country World ex US Growth Index	7.76%	5.12%
Invesco Short Duration Inflation Protected Portfolio	BofA Merrill Lynch 1-5 Year US Inflation Linked Treasury	2.71%	-0.69%
Invesco Small Cap Growth Portfolio	Russell 2000 Growth Index	0.00%	0.49%
Invesco Stable Value Portfolio	Bloomberg Barclays US Treasury Bellwethers	1.76%	-0.57%
Invesco FTSE RAFI Developed Markets ex-US Portfolio	MSCI EAFE Index	-2.83%	-3.91%
Invesco FTSE RAFI US 1500 Small-Mid Portfolio	Russell 2000 Index	-7.28%	-3.97%

**CollegeBound Saver Investment Options**

Age-Based Portfolios

- CollegeBound Saver offers eleven Age-Based Portfolios that are designed to correspond with the expected date of college enrollment.
- The asset allocation of the Age-Based Portfolios adjusts quarterly, becoming progressively more conservative as high school graduation and college enrollment approach.
- Each Age-Based Portfolio invests in multiple Underlying Funds.



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**Investment Commentary (Continued)**

**CollegeBound Saver Investment Options (Continued)**

Age-Based Portfolios (Continued)

Year Ended June 30, 2020			
Portfolio Name	Index Name	Portfolio Performance	+/- Index Performance
CollegeBound 2021-2022 Portfolio	Custom CollegeBound 2021-2022 Index	4.82%	-1.70%
CollegeBound 2023-2024 Portfolio	Custom CollegeBound 2023-2024 Index	4.91%	-1.46%
CollegeBound 2025-2026 Portfolio	Custom CollegeBound 2025-2026 Index	4.75%	-1.58%
CollegeBound 2027-2028 Portfolio	Custom CollegeBound 2027-2028 Index	4.91%	-1.65%
CollegeBound 2029-2030 Portfolio	Custom CollegeBound 2029-2030 Index	4.61%	-2.02%
CollegeBound 2031-2032 Portfolio	Custom CollegeBound 2031-2032 Index	4.42%	-2.19%
CollegeBound 2033-2034 Portfolio	Custom CollegeBound 2033-2034 Index	3.65%	-2.28%
CollegeBound 2035-2036 Portfolio	Custom CollegeBound 2035-2036 Index	3.01%	-2.31%
CollegeBound 2037-2038 Portfolio	Custom CollegeBound 2037-2038 Index	2.87%	-2.12%
CollegeBound 2039-2040 Portfolio	Custom CollegeBound 2039-2040 Index	0.79% <sup>(1)</sup>	-0.06% <sup>(1)</sup>
CollegeBound Today Portfolio	Custom CollegeBound Today Portfolio Index	3.15%	-1.30%

<sup>(1)</sup> The CollegeBound 2039-2040 Portfolio was added as an Age-Based Portfolio effective June 29, 2020. The portfolio performance for this portfolio is for the period June 29, 2020 through June 30, 2020.

Year Ended June 30, 2019			
Portfolio Name	Index Name	Portfolio Performance	+/- Index Performance
CollegeBound 2019-2020 Portfolio	Custom CollegeBound 2019-2020 Index	4.91%	-1.63%
CollegeBound 2021-2022 Portfolio	Custom CollegeBound 2021-2022 Index	4.97%	-1.49%
CollegeBound 2023-2024 Portfolio	Custom CollegeBound 2023-2024 Index	5.25%	-1.45%
CollegeBound 2025-2026 Portfolio	Custom CollegeBound 2025-2026 Index	5.65%	-1.43%
CollegeBound 2027-2028 Portfolio	Custom CollegeBound 2027-2028 Index	5.90%	-1.51%
CollegeBound 2029-2030 Portfolio	Custom CollegeBound 2029-2030 Index	6.18%	-1.63%
CollegeBound 2031-2032 Portfolio	Custom CollegeBound 2031-2032 Index	6.11%	-1.54%
CollegeBound 2033-2034 Portfolio	Custom CollegeBound 2033-2034 Index	6.10%	-1.41%
CollegeBound 2035-2036 Portfolio	Custom CollegeBound 2035-2036 Index	6.33%	-1.17%
CollegeBound 2037-2038 Portfolio	Custom CollegeBound 2037-2038 Index	4.60% <sup>(1)</sup>	-1.02% <sup>(1)</sup>
CollegeBound Today	Custom CollegeBound Today Portfolio Index	3.66%	-0.12%

<sup>(1)</sup> The CollegeBound 2037-2038 Portfolio was added as an Age-Based Portfolio effective July 13, 2018. The portfolio performance for this portfolio is for the period July 13, 2018 through June 30, 2019.

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**Investment Commentary (Continued)**

**CollegeBound Saver Investment Options**

Age-Based Portfolios (Continued)

The Age-Based Portfolios comprise different weightings of the funds listed below:

iShares Core S&P Total US Stock Market ETF
Invesco Equally-Weighted S&P 500 Fund
Vanguard Total International Stock Index Fund
Invesco FTSE RAFI Developed Markets ex-US ETF
Vanguard Global ex-US Real Estate Index Fund
Vanguard Short Term Inflation-Protected Securities Index Fund
Vanguard Short-Term Investment-Grade Fund
Vanguard Total Bond Market II Index Fund
Invesco Treasury Collateral ETF <sup>(1)</sup>

<sup>(1)</sup> Effective June 29, 2020, the Government Agency Portfolio was replaced as an underlying fund for the Age-Based Portfolios with the Invesco Treasury Collateral ETF.

The Age-Based Portfolios seek to achieve capital appreciation, income and preservation of capital as appropriate for proximity to their applicable target dates. The target date is the year which corresponds to the potential college enrollment year of the beneficiary. The objective of the Age-Based Portfolios becomes more focused on capital preservation and income as it approaches its target date.

The Age-Based Portfolios allocate their assets to Underlying Funds consisting of ETFs and mutual funds, seeking to provide access to broad asset classes, including domestic US stocks, international stocks, bonds and cash. The Underlying Funds represent different investment objectives and strategies. The allocation to broad asset classes and weights in the Underlying Funds are expected to change — reducing exposure to stocks and increasing holdings in fixed income and cash equivalents— until the beneficiary enrolls in college. The asset class allocations and investment in Underlying Funds may periodically be rebalanced or modified.

Target-Risk Portfolios

- CollegeBound Saver offers three Target Risk Portfolios, in which the asset allocation seeks to meet a specific investment goal and risk tolerance.
- The risk profile of each Target Risk Portfolio will be fixed over time.
- Each Target Risk Portfolio invests in a single Underlying Fund.

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**Investment Commentary (Continued)**

**CollegeBound Saver Investment Options (Continued)**

Target-Risk Portfolios (Continued)

Year Ended June 30, 2020				
Portfolio Name	Underlying Fund	Index Name	Portfolio Performance	+/- Index Performance
Conservative Growth Portfolio	Vanguard LifeStrategy Conservative Growth Fund	Custom Conservative Growth Portfolio Index	5.95%	-1.02%
Moderate Growth Portfolio	Vanguard LifeStrategy Moderate Growth Fund	Custom Moderate Growth Portfolio Index	4.85%	-2.23%
Growth Portfolio	Vanguard LifeStrategy Growth Fund	Custom Growth Portfolio Index	3.62%	-3.36%

Year Ended June 30, 2019				
Portfolio Name	Underlying Fund	Index Name	Portfolio Performance	+/- Index Performance
Conservative Growth Portfolio	Vanguard LifeStrategy Conservative Growth Fund	Custom Conservative Growth Portfolio Index	7.09%	1.01%
Moderate Growth Portfolio	Vanguard LifeStrategy Moderate Growth Fund	Custom Moderate Growth Portfolio Index	6.70%	0.55%
Growth Portfolio	Vanguard LifeStrategy Growth Fund	Custom Growth Portfolio Index	6.17%	-0.48%

*Conservative Growth Portfolio*

The Conservative Growth Portfolio seeks to provide current income and low to moderate capital appreciation. This portfolio invests 100% of its assets in the Vanguard LifeStrategy Conservative Growth Fund. This underlying fund invests in other Vanguard mutual funds according to a fixed formula that reflects an allocation of approximately 60% of the underlying fund's assets to bonds and 40% to common stocks. The targeted percentage of the Underlying Fund's assets allocated to each of the underlying funds is:

- Vanguard Total Bond Market II Index Fund 42%
- Vanguard Total Stock Market Index Fund 24%
- Vanguard Total International Bond Index Fund 18%
- Vanguard Total International Stock Index Fund 16%

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**Investment Commentary (Continued)**

**CollegeBound Saver Investment Options (Continued)**

Target-Risk Portfolios (Continued)

*Moderate Growth Portfolio*

The Moderate Growth Portfolio seeks to provide capital appreciation and a low to moderate level of current income. This portfolio invests 100% of its assets in the Vanguard LifeStrategy Moderate Growth Fund. This underlying fund invests in other Vanguard mutual funds according to a fixed formula that reflects an allocation of approximately 60% of the underlying fund's assets to common stocks and 40% to bonds. The targeted percentage of the underlying fund's assets allocated to each of the underlying funds is:

- Vanguard Total Stock Market Index Fund 36%
- Vanguard Total Bond Market II Index Fund 28%
- Vanguard Total International Stock Index Fund 24%
- Vanguard Total International Bond Index Fund 12%

*Growth Portfolio*

The Growth Portfolio seeks to provide capital appreciation and some current income. This portfolio invests 100% of its assets in the Vanguard LifeStrategy Growth Fund. This underlying fund invests in other Vanguard mutual funds according to a fixed formula that reflects an allocation of approximately 80% of the underlying fund's assets to common stocks and 20% to bonds. The targeted percentage of the underlying fund's assets allocated to each of the underlying funds is:

- Vanguard Total Stock Market Index Fund 48%
- Vanguard Total International Stock Index Fund 32%
- Vanguard Total Bond Market II Index Fund 14%
- Vanguard Total International Bond Index Fund 6%

Individual Portfolios

- CollegeBound Saver offers eight Individual Portfolios, in which the composition of investments within the portfolio remains fixed over time.
- Except for the Stable Value Portfolio, each portfolio invests in a single Underlying Fund.

Year Ended June 30, 2020				
Portfolio Name	Underlying Fund	Index Name	Portfolio Performance	+/- Index Performance
Bond Portfolio	Vanguard Total Bond Market Index Fund	Bloomberg Barclays US Aggregate Float Adjusted Index	8.97%	0.04%
Equally-Weighted S&P 500 Portfolio	Invesco Equally-Weighted S&P 500 Fund	S&P 500 Index-TR	-3.25%	-10.75%

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**Investment Commentary (Continued)**

**CollegeBound Saver Investment Options (Continued)**

Individual Portfolios (Continued)

<b>Year Ended June 30, 2020 (Continued)</b>				
<b>Portfolio Name</b>	<b>Underlying Fund</b>	<b>Index Name</b>	<b>Portfolio Performance</b>	<b>+/- Index Performance</b>
Inflation Protected Bond Portfolio	Vanguard Short-Term Inflation-Protected Securities Index Fund	Bloomberg Barclays US Treasury Inflation-Protected Index	3.34%	-4.94%
International Stock Portfolio	Vanguard Total International Stock Index Fund	FTSE Global All Cap ex-US Index-NR	-4.07%	0.35%
Global Responsible Equity Portfolio <sup>(1)</sup>	Invesco MSCI World SRI Index Fund <sup>(1)</sup>	MSCI World SRI Index	-3.58%	-12.04%
Stable Value Portfolio	Invesco Stable Value Separate Account	Bloomberg Barclays US Treasury Bellwethers (3M)	2.27%	-0.62%
US Small-Mid Cap Portfolio	Vanguard Extended Market Index Fund	S&P Completion Index-TR	1.19%	0.12%
US Stock Portfolio	Vanguard Total Stock Market Index Fund	CRSP US Total Market Index-TR	6.51%	-0.05%

<sup>(1)</sup> Effective June 29, 2020, the Global Sustainable Equity Portfolio changed its name to the Global Responsible Equity Portfolio, and also changed its investment strategy from an actively managed portfolio to an indexing strategy based on the MSCI World SRI Index. Results prior to June 29, 2020, reflect the performance of the fund's previous strategy.

<b>Year Ended June 30, 2019</b>				
<b>Portfolio Name</b>	<b>Underlying Fund</b>	<b>Index Name</b>	<b>Portfolio Performance</b>	<b>+/- Index Performance</b>
Bond Portfolio	Vanguard Total Bond Market Index Fund	Bloomberg Barclays US Aggregate Float Adjusted Index	7.84%	-0.13%
Equally-Weighted S&P 500 Portfolio	Invesco Equally-Weighted S&P 500 Fund	S&P 500 Index-TR	8.03%	-2.38%
Inflation Protected Bond Portfolio	Vanguard Short-Term Inflation-Protected Securities Index Fund	Bloomberg Barclays US Treasury Inflation-Protected Index	3.25%	-1.58%
International Stock Portfolio	Vanguard Total International Stock Index Fund	FTSE Global All Cap ex-US Index-NR	0.62%	0.12%
Global Sustainable Equity Portfolio	Invesco Global Sustainable Equity Fund	MSCI World Index-NR	-3.16%	-9.49%
Stable Value Portfolio	Invesco Stable Value Fund Separate Account	Bloomberg Barclays US Treasury Bellwethers (3M)	2.32%	-0.01%

**Rhode Island Higher Education Savings Trust**  
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**Investment Commentary (Continued)**

**CollegeBound Saver Investment Options (Continued)**

Individual Portfolios (Continued)

Year Ended June 30, 2019 (Continued)				
Portfolio Name	Underlying Fund	Index Name	Portfolio Performance	+/- Index Performance
US Small-Mid Cap Portfolio	Vanguard Extended Market Index Fund	S&P Completion Index-TR	2.01%	0.13%
US Stock Portfolio	Vanguard Total Stock Market Index Fund	CRSP US Total Market Index-TR	8.96%	-0.03%

**Recent Developments**

Portfolio Changes

Effective June 29, 2020, the CollegeBound 2019-2020 Portfolios for both CollegeBound Saver and CollegeBound 529 were liquidated, and all account owner balances were automatically transferred into the CollegeBound Today Portfolios. Also effective June 29, 2020, CollegeBound Saver and CollegeBound 529 began to offer a new Age-Based Portfolio, the CollegeBound 2039-2040 Portfolio.

Unit Class Conversion

Effective July 18, 2019, all remaining assets held in Class CX units were automatically converted into Class A units of the same portfolio. As of that date, additional contributions were no longer accepted in Class CX units.

COVID-19 Impact

As of the date of the independent auditor's report, the COVID-19 pandemic has had an adverse impact on both domestic and global financial markets. Management of RIHEST is unable to accurately predict how the COVID-19 pandemic will impact RIHEST, account owner savings behavior or the volume of withdrawals due to uncertainties surrounding the severity of the disease and the duration of its outbreak

**Requests for Information**

This financial report is designed to provide a general overview of the Program's financial status and changes in financial status. Additional information is available at [www.collegeboundsaver.com](http://www.collegeboundsaver.com) and [www.collegebound529.com](http://www.collegebound529.com). If you have any questions about the information provided, please call the Program's customer service representatives at 1-877-517-4829 (CollegeBound Saver) or 1-877-615-4116 (CollegeBound 529).

## **Basic Financial Statements**

**Rhode Island Higher Education Savings Trust**  
(A Fiduciary Fund of the State of Rhode Island and Providence Plantations)

**Statement of Fiduciary Net Position**  
June 30, 2020

<b>ASSETS</b>	
Investments	\$ 5,179,250,239
Cash and cash equivalents	6,608,665
Receivables for investments sold	73,161,641
<b>Total Assets</b>	<u>5,259,020,545</u>
<b>LIABILITIES</b>	
Payables for investments purchased	84,378,005
Withdrawals payable	6,036,756
Accrued administrative fees and expenses, net	3,745,627
<b>Total Liabilities</b>	<u>94,160,388</u>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES</b>	<u><u>\$ 5,164,860,157</u></u>

**Statement of Changes in Fiduciary Net Position**  
Year Ended June 30, 2020

<b>ADDITIONS</b>	
Contributions	<u>\$ 260,353,127</u>
Investment income:	
Dividends and interest	171,100,941
Net decrease in the fair value of investments	(95,658,553)
Net investment income	75,442,388
<b>Total Additions</b>	<u>335,795,515</u>
<b>DEDUCTIONS</b>	
Withdrawals	<u>829,621,839</u>
Net administrative fees:	
Administrative fees and expenses	22,003,007
Fee waivers	(232,239)
Net administrative fees	21,770,768
<b>Total Deductions</b>	<u>851,392,607</u>
<b>NET DECREASE</b>	(515,597,092)
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR</b>	<u>5,680,457,249</u>
<b>NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR</b>	<u><u>\$ 5,164,860,157</u></u>

See accompanying notes to financial statements.



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**Rhode Island Higher Education Savings Trust**  
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**Notes to Financial Statements**  
**June 30, 2020**

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

**(a) General**

The Rhode Island Higher Education Savings Trust (RIHEST) was created pursuant to Section 16-57-6.1 of the General Laws of Rhode Island and enables residents of Rhode Island and any other state to save money on a tax-advantaged basis to pay for qualified educational expenses through the Rhode Island Tuition Savings Program (the Program). The Program administered under RIHEST includes two savings plan options – CollegeBound 529, available exclusively through a financial advisor or registered investment advisor, and CollegeBound Saver, available without the assistance of a financial advisor or registered investment advisor. The Program is designed to comply with the requirements for treatment as a “qualified tuition program” under Section 529 of the Internal Revenue Code of 1986, as amended, and any regulations and other guidance issued thereunder. Assets of the Program are held in trust for account owners and their beneficiaries.

The Program is administered by the State of Rhode Island Office of the General Treasurer (the Treasurer) in conjunction with the Rhode Island Office of the Postsecondary Commissioner (which includes the Rhode Island Division of Higher Education), the Rhode Island State Investment Commission (SIC) and the Executive Director of the Rhode Island Student Loan Authority (collectively, the “State Administrators”). The Treasurer has administrative oversight of RIHEST and is responsible for implementing the Program, as well as establishing rules and regulations governing the Program. SIC is responsible for oversight of the investment of the Program’s assets. The Treasurer and SIC may incur costs in providing administrative oversight with respect to the Program. These costs, which totaled approximately \$344,000 for the year ended June 30, 2020, are not reported in the accompanying financial statements.

RIHEST is included in the reporting entity of the State of Rhode Island and Providence Plantations (the State) as a fiduciary fund. Fiduciary funds are used to report assets that are held in a trust or agency capacity for others and therefore cannot be used to support a government’s own programs.

These financial statements present only the balances and transactions that are directly attributable to RIHEST. These financial statements are not intended to, and do not, represent a complete presentation of the financial position and changes in financial position of any other fiduciary funds of the State.

**(b) Administration**

The Treasurer may contract with third-party service providers to perform administrative duties and to manage the Program’s investments. Ascensus College Savings Recordkeeping Services, LLC (ACSR) serves as Program Manager, responsible for the day-to-day operations of the Program, including recordkeeping and administrative services and marketing, as specified in the Program Management Agreement executed by and between ACSR and the Treasurer, which expires in 2026 (inclusive of a 5-year automatic renewal period).

**Rhode Island Higher Education Savings Trust**  
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**Notes to Financial Statements**  
**June 30, 2020**

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

**(b) Administration (Continued)**

Invesco Advisers, Inc. (Invesco), The Vanguard Group, Inc. and BlackRock, Inc. provide investment management services in accordance with an asset allocation strategy recommended by Invesco and approved by SIC. Invesco provides all investment advisory services for the Program, pursuant to a Services Agreement executed by and between ASCR and Invesco that expires concurrently with the Program Management Agreement.

Pursuant to the terms of their respective agreements, ASCR and Invesco are required to spend certain amounts on marketing the savings options offered through RIHEST. These marketing costs, which totaled approximately \$2,307,000 for the year ended June 30, 2020, are not reported in the accompanying financial statements. Additionally, if new account growth in CollegeBound 529 does not meet minimum thresholds, ASCR and Invesco are required to commit \$350,000 annually to the Treasurer. During the year ended June 30, 2020, new account growth did not exceed 18,000, and the “commitment to growth” payment was made as required. This payment is not reported in the accompanying financial statements.

The Services Agreement requires that Invesco pay \$275,000 annually to the Treasurer to cover a portion of the cost of administering the Program. These administrative payments are not reported in the accompanying financial statements. In addition, the Program Management Agreement requires that ASCR spend the greater of \$650,000 annually or \$100 per eligible child in support of CollegeBound**baby**, a program administered by the Treasurer’s office that awards a one-time \$100 grant for college savings to babies born or adopted as Rhode Island residents that meet certain eligibility criteria. Funding in support of these grant awards is included in contributions in the accompanying financial statements.

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

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Accounting**

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

**(b) Income Taxes**

The Program has been designed to comply with the requirements for treatment as a “qualified tuition program” under Section 529 of the Internal Revenue Code, as amended, and any regulations and other guidance issued thereunder. RIHEST is exempt from federal and state income tax.

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**Notes to Financial Statements**  
**June 30, 2020**

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

**(c) Estimates**

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

**(d) Investments**

RIHEST's investments consist of mutual funds, exchange traded funds (ETFs) and investment contracts, which are held in a separate account (collectively, the "Underlying Funds").

The mutual funds and ETFs are reported at fair value, based on the net asset value per share (mutual funds) or closing market prices (ETFs) as of the close of the New York Stock Exchange (NYSE) on the reporting date. Net realized and unrealized gains (losses) are included in "net increase (decrease) in the fair value of investments" on the statement of changes in fiduciary net position. Purchases and sales of shares of mutual funds and ETFs are recorded on a trade-date basis. Dividends and capital gain distributions are recorded on the ex-dividend date and are automatically reinvested in additional shares of the respective mutual fund or ETF.

Accounting standards categorize fair value measurements according to a hierarchy that is based on valuation inputs that are used to measure fair value. Level 1 inputs are quoted prices for identical assets in active markets that can be accessed at the measurement date. Level 2 inputs are inputs other than quoted prices that are observable for an asset, either directly or indirectly. Level 3 inputs are unobservable. The fair values of RIHEST's mutual funds and ETFs are determined using Level 1 inputs.

The investment contracts, which include contracts issued by financial institutions and insurance companies, are fully benefit-responsive and are reported at contract value, which is equal to contributions, plus interest credited at a guaranteed rate, less withdrawals and any applicable fees and expenses. These contracts, also referred to as "wrap contracts," are backed by a diversified portfolio of high-quality bonds, including government securities, corporate bonds, mortgage-backed and asset-backed securities and cash equivalents. Each wrap contract represents a general obligation of the issuing company to pay account owner distributions at contract value, even if the market value of the assets associated with each contract is less than the contract value of the assets. Interest accrues as it is earned. The fair value standards are not applicable to the investment contracts, as they are reported at contract value, rather than fair value.

RIHEST maintains investments in government money market funds to ensure sufficient liquid resources are available to process account owner transactions and pay administrative fees when due. In addition, these government money market funds are included in the underlying asset allocation of certain Age-Based Portfolios and Target Risk Portfolios (see Note 2(f)). These funds are not subject to withdrawal restrictions. The government money market funds are reported in RIHEST's financial statements based on the net asset value per share, as determined by the fund administrator. These funds seek to maintain a stable net asset value of \$1 per share by using the amortized cost method to value the underlying

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**Notes to Financial Statements**  
**June 30, 2020**

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

**(d) Investments (Continued)**

portfolio of assets, which include cash, highly liquid US government obligations and repurchase agreements that are fully collateralized by US government obligations. The amortized cost method approximates fair value, based on the nature of the underlying assets. There is no guarantee that the net asset value will always remain at \$1 per share. The fair value measurement hierarchy discussed above does not apply to these government money market funds.

**(e) Cash and Cash Equivalents**

Cash and cash equivalents generally include contributions received that have not yet been invested in Underlying Funds and/or redemption proceeds from Underlying Funds for withdrawals that have not yet been distributed in accordance with account owners' instructions.

Contribution and withdrawal transactions are processed through non-interest bearing accounts maintained for CollegeBound 529 and CollegeBound Saver at BNY Mellon. These accounts are registered in the name and taxpayer identification number of the state of Rhode Island. The combined bank balances of these accounts at June 30, 2020, totaled \$663,238. Balances in these accounts are insured by the Federal Deposit Insurance Corporation (FDIC), along with any other accounts maintained at BNY Mellon under the same taxpayer identification number, in the aggregate, up to \$250,000. Amounts in excess of FDIC insurance limits are not collateralized or covered by supplementary insurance.

Excess cash balances are swept daily from the BNY Mellon accounts described in the preceding paragraph into an account where they are invested in the Dreyfus Government Cash Management Institutional Fund, which is a money market mutual fund rated AAAM (Standard & Poor's). The weighted average maturity of the underlying debt securities in this fund was 39 days at June 30, 2020. The combined bank balances of these accounts as of June 30, 2020, totaled \$11,865,485. Balances in this account are not insured or collateralized; however, government money market mutual funds are not exposed to custodial credit risk.

**(f) Contributions**

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

Account owners may elect to invest their contributions in one or more investment options, including Age-Based Portfolios, Target-Risk Portfolios and Individual Portfolios. The Age-Based Portfolios allow account owners to choose a predetermined investment strategy based on the beneficiary's expected date of college enrollment. Over time, assets will transition from a heavier weight in equities in earlier years to more conservative investments in fixed-income securities and cash as the beneficiary approaches college enrollment. The Target-Risk Portfolios allow account owners to invest based on risk tolerance and investment goals. The risk profile of each Target-Risk Portfolio will be fixed over time. The Individual Portfolios are structured for exposure to a single type of asset class.

**Rhode Island Higher Education Savings Trust**  
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**Notes to Financial Statements**  
**June 30, 2020**

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

**(f) Contributions (Continued)**

In addition to the various investment options, account owners investing in CollegeBound 529 must select from several classes of units, including Class A, Class C, and Class I. Class RA and Class RZ are additional share classes that are only available to Rhode Island residents. Class B and Class BX were available prior to July 8, 2016, but are no longer available to new account owners. Class CX, an additional unit class available to account owners prior to July 8, 2016, was closed on July 18, 2019, and all remaining Class CX units were converted to Class A units. Each unit class is subject to a different fee structure. Account owners investing in Class A and Class RZ units of CollegeBound 529 are generally subject to an initial sales charge of up to 4.00% on amounts contributed. Individual contribution transactions that equal or exceed \$500,000 are not subject to initial sales charges. In addition, there are certain limited circumstances, as more fully described in the CollegeBound 529 Program Description, where these initial sales charges do not apply. Contributions are presented on the statement of changes in fiduciary net position net of initial sales charges, which totaled \$4.0 million for the year ended June 30, 2020. Account owners investing in Class C units of CollegeBound 529 and \$500,000 or more in Class A units of CollegeBound 529 may be assessed a contingent deferred sales charge of 1.00% for Class C and 0.40% for Class A of the amount invested if the account owner withdraws the contribution within twelve months of making the contribution. Class B and BX units of CollegeBound 529 may also be assessed a contingent deferred sales charge amount ranging from 1.10% to 4.00% if the account owner withdraws the contributions within four years of making the contribution for Class B units and within five years of making the contribution for Class BX units (see Note 2(g)). All or a portion of these sales charges are paid to the financial advisors through whom account owners invest in CollegeBound 529.

In exchange for contributions, account owners receive full and/or fractional interests, or units, issued by RIHEST. These units are municipal fund securities. Although money contributed is invested in investment options that hold mutual funds, ETFs or investment contracts, the units themselves are not direct investments in the mutual funds, ETFs or investment contracts. These units are not insured by the FDIC or the state of Rhode Island, nor have they been registered with the Securities and Exchange Commission or any state commission.

In addition, although account owners can select the investment options in which their contributions are invested, they cannot direct the selection or allocation of the Underlying Funds composing each investment option.

**(g) Withdrawals**

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

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**Notes to Financial Statements**  
**June 30, 2020**

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

**(g) Withdrawals (Continued)**

Withdrawals presented on the statement of changes in fiduciary net position include annual account fees and other transaction fees. Annual account fees are assessed annually in the anniversary month of the account opening for all non-Rhode Island resident accounts in CollegeBound 529. In addition, this fee is waived if the account balance is at least \$25,000, there is an active recurring contribution to the account or a payroll direct deposit is made at least 90 days before the annual account fee is charged. In addition to the annual account fees, account owners may be subject to service fees for other transactions, such as returned checks, outgoing wire transfers, overnight delivery charges and requests for historical statements. Annual account fees and service fees totaled approximately \$2.3 million for the year ended June 30, 2020, and are paid to ACSR.

In addition, as explained in Note 2(f), certain withdrawals of contributions from CollegeBound 529 may be subject to contingent deferred sales charges, a portion of which is paid to the financial advisors through whom account owners invest in CollegeBound 529. Contingent deferred sales charges totaled \$110.5 thousand for the year ended June 30, 2020.

**(h) Exchanges, Conversions and Transfers**

Subject to certain limitations and restrictions, account owners may generally direct that their account balance be reinvested in one or more different investment options twice per calendar year. Transfers of funds between investment options are referred to as “exchanges.”

In general, Class C units automatically convert into Class A units in the fifth year after purchase, and Class B units and Class BX units automatically convert into Class A units in the eighth year after purchase. In addition, effective July 18, 2019, all Class CX units and any Class C units purchased before July 8, 2016, were automatically converted to Class A units. These transactions are referred to as “conversions.”

Under certain conditions, account assets may be transferred from one beneficiary to another or from one account owner to another. These transactions are referred to as “transfers.”

The amounts of contributions and withdrawals reported on the statement of changes in fiduciary net position do not include exchanges, conversions or transfers, as these types of transactions have no impact on the overall financial position of RIHEST.

**(i) Unit Valuation**

Each account owner’s full and/or fractional interest in an investment option is evidenced by a unit. The net asset value of a unit is calculated daily based on the value of the Underlying Funds and uninvested cash balances, adjusted for the effects of transactions such as accrued administrative fees and investment income. The value of any individual account is determined by multiplying the number of units in an investment option attributable to that account owner by the net asset value per unit of that investment option.

**Rhode Island Higher Education Savings Trust**  
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**Notes to Financial Statements**  
**June 30, 2020**

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

**(j) Indemnification**

Neither the State Administrators, ACSR nor any other person, indemnifies any account owner or designated beneficiary against losses or other claims arising from the official or unofficial acts, negligent or otherwise, of management of RIHEST. RIHEST has entered into contracts that contain a variety of representations and warranties that provide general indemnifications. RIHEST's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against RIHEST that have not yet occurred. However, RIHEST expects the risk of loss to be remote.

**NOTE 3: INVESTMENTS**

**(a) Investments by Type**

The Underlying Funds held by RIHEST at June 30, 2020, are as follows:

<b>Mutual Funds, at fair value</b>	<b>Category / Designation</b>	<b>Value</b>
Vanguard Extended Market Index Fund	Mid Blend	\$ 9,659,815
Vanguard Total Bond Market Index Fund	Intermediate-Term Bond	4,806,565
Vanguard Short-Term Inflation-Protected Securities Index Fund	Inflation-Protected Bond	24,615,826
Vanguard Total Stock Market Index Fund	Large Blend	35,719,359
Vanguard Total International Stock Index Fund	Foreign Large Blend	13,426,286
Vanguard Global ex-US Real Estate Index Fund	World Stock	1,345,011
Vanguard Short-Term Investment-Grade Fund	Short-Term Bond	19,348,833
Vanguard LifeStrategy Growth Fund	Moderate Allocation	20,832,107
Vanguard LifeStrategy Moderate Growth Fund	Moderate Allocation	13,433,092
Vanguard LifeStrategy Conservative Growth Fund	Conservative Allocation	4,985,559
Vanguard Total Bond Market II Index Fund	Intermediate-Term Bond	38,258,918
Invesco Equally-Weighted S&P 500 Fund	Large Blend	315,413,704
Invesco MSCI World SRI Index Fund	World Large Stock	5,286,707
Invesco Short Duration Inflation-Protected Fund	Inflation-Protected Bond	381,791,708
Invesco Core Plus Bond Fund	Intermediate Core-Plus Bond	671,745,877
Invesco Diversified Dividend Fund	Large Value	314,986,781
Invesco Small Cap Growth Fund	Small Growth	14,970,205
Invesco International Growth Fund	Foreign Large Growth	10,380,444
Invesco Equity and Income Fund	Allocation - 50% - 70% Equity	20,008,524
Invesco Global Growth Fund	World Large Stock	107,741,907
Invesco Global Real Estate Income Fund	Global Real Estate	35,905,683
Invesco Floating Rate Fund	Bank Loan	333,331,211
Invesco Short-Term Bond Fund	Short-Term Bond	396,388,580
Total Mutual Funds		2,794,382,702

**(Continued)**



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**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 3: INVESTMENTS (Continued)**

**(a) Investments by Type (Continued)**

	<u>Category / Designation</u>	<u>Value</u>
<b>ETFs, at fair value</b>		
iShares Core S&P Total US Stock Market ETF	Large Blend	\$ 18,674,152
Invesco FTSE RAFI US 1500 Small-Mid ETF	Small Blend	133,163,973
Invesco FTSE RAFI Emerging Markets ETF	Diversified Emerging Markets	28,146,581
Invesco S&P Emerging Markets Low Volatility ETF	Diversified Emerging Markets	25,143,699
Invesco FTSE RAFI Developed Markets ex-US ETF	Foreign Large Value	130,420,551
Invesco S&P 500 Pure Growth ETF	Large Growth	263,939,467
Invesco S&P 500 Low Volatility ETF	Large Blend	22,034,272
Invesco S&P Midcap Low Volatility ETF	Mid-Cap Value	31,383,792
Invesco S&P International Developed Low Volatility ETF	Foreign Large Blend	51,388,633
Invesco Treasury Collateral ETF	Ultrashort Bond	<u>54,287,250</u>
Total ETFs		<u>758,582,370</u>
<b>Other Investments</b>		
Investment contracts, at contract value (see Note 3(b))		1,118,588,799
Government money market funds		507,696,368
Total Other Investments		<u>1,626,285,167</u>
<b>Total Investments</b>		<u>\$ 5,179,250,239</u>

**(b) Investment Contracts**

RIHEST maintains a stable value separate account which is managed by Invesco. This account invests in guaranteed investment contracts issued by insurance companies and bank investment contracts issued by financial institutions. The contract values, by issuer, of each contract outstanding at June 30, 2020, are as follows:

American General Life Insurance Company	\$ 154,467,842
Nationwide Life Insurance	150,343,767
Prudential Insurance Company	208,778,487
RGA	209,799,073
State Street Bank	154,437,411
Voya Retirement and Annuity	<u>240,762,219</u>
Total investment contracts, at contract value	<u>\$ 1,118,588,799</u>

Crediting interest rates on these contracts ranged from 2.33% to 2.44% at June 30, 2020. These rates may reset periodically.

**Rhode Island Higher Education Savings Trust**  
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**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 3: INVESTMENTS (Continued)**

**(b) Investment Contracts (Continued)**

The contracts are wrap contracts. The underlying assets held in the wrap accounts are set forth in the related agreements and are the Invesco RI 529 Custom Short Fund, Jennison RI 529 SV Intermediate Fund, Invesco RI 529 Core Fund and the Voya RI 529 SV Intermediate Fund.

The aggregate fair value of these contracts is estimated by Invesco to be \$1,162,356,901. While the individual contracts are not rated by a nationally recognized statistical rating organization, the credit ratings of the contract issuers range from A+ to AA- (Standard & Poor's).

The bank investment contracts are not insured by the FDIC or otherwise covered by collateral or supplementary insurance.

**(c) Net Decrease in the Fair Value of Investments**

The following table calculates the net decrease in the fair value of investments during the year ended June 30, 2020:

Fair value of investments, end of year	\$ 5,179,250,239
Less cost of investments purchased and investment income reinvested during the year	(1,197,473,198)
Plus proceeds from investments sold during the year	1,610,927,488
Less fair value of investments, beginning of year	<u>(5,688,363,082)</u>
Net decrease in the fair value of investments	<u>\$ (95,658,553)</u>

**(d) Investment Risk**

The mutual funds and ETFs in which RIHEST assets are invested include various investment securities in their asset holdings, such as corporate debt and equity securities, obligations of the US government and government agencies and international securities. These securities are exposed to interest rate, market and credit risk, and it is at least reasonably possible that changes in their fair values could occur in the near term, materially affecting account owner balances and the amounts reported in RIHEST's basic financial statements.

Generally accepted accounting principles require that certain disclosures be made related to RIHEST's investment policy and its exposure to credit risk, interest rate risk and foreign currency risk, which are included in the paragraphs that follow.

**Rhode Island Higher Education Savings Trust**  
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**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 3: INVESTMENTS (Continued)**

**(d) Investment Risk (Continued)**

Investment Policy

The SIC has set forth investment objectives and performance monitoring requirements applicable to RIHEST in an investment policy statement. The overarching objective is to provide account owners with a range of investment options, allowing for diverse levels of risk tolerance, return expectations and time horizons. The policy requires analysis of investment managers to assess investment manager performance and to determine adherence to investment policy guidelines. There are no provisions of the policy that specifically address credit risk, interest rate risk, concentrations of credit risk or foreign currency risk.

Credit Risk

Certain Underlying Funds invest in bonds issued by corporations, foreign governments, the US government and its agencies and instrumentalities. As a result of its investment in these Underlying Funds, RIHEST is indirectly exposed to credit risk, which is the risk that a bond issuer will fail to pay interest and principal, when due, as a result of adverse market or economic conditions.

None of the mutual funds or ETFs in which RIHEST invests are rated as to credit rating by a nationally recognized statistical rating organization. The government money market funds (Invesco Government & Agency Portfolio and Morgan Stanley Institutional Liquidity Funds Government Securities Portfolio) are both rated AAAM (Standard & Poor's).

RIHEST's mutual funds, ETFs and government money market funds are not exposed to custodial credit risk, which is the risk that RIHEST will not recover the value of investments that are in the possession of an outside party.

Interest Rate Risk

Certain Underlying Funds invest primarily in short- and intermediate-term bonds and are exposed to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely impact the fair value of an investment. Average maturity is the average length of time until fixed-income securities held by a fund reach maturity and will be repaid, taking into consideration the possibility that the issuer may call a bond before its maturity date. In general, the longer the average maturity, the more a fund's share price will fluctuate in response to changes in interest rates.

**Rhode Island Higher Education Savings Trust**  
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**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 3: INVESTMENTS (Continued)**

**(d) Investment Risk (Continued)**

Interest Rate Risk (Continued)

As of June 30, 2020, the average maturity of holdings in each of the bond funds in which RIHEST is invested is as follows:

	<u>Average Maturity</u>
Vanguard Total Bond Market Index Fund	8.6 years
Vanguard Short-Term Inflation-Protected Securities Index Fund	2.9 years
Vanguard Short-Term Investment-Grade Fund	2.9 years
Vanguard Total Bond Market II Index Fund	8.5 years
Invesco Short Duration Inflation-Protected Fund	3.1 years
Invesco Core Plus Bond Fund	10.0 years
Invesco Floating Rate Fund	4.9 years
Invesco Short-Term Bond Fund	3.0 years
Invesco Government & Agency Portfolio	8 days
Morgan Stanley Institutional Liquidity Funds Government Securities Portfolio	48 days

Foreign Currency Risk

Certain Underlying Funds invest in non-US stocks and fixed income securities representing the major developed and emerging equity markets (see Note 3(a)). There are certain inherent risks involved when investing in international securities that are not present with investments in domestic securities, such as foreign currency exchange rate fluctuations, adverse political and economic developments and the possible prevention or delay of currency exchange due to foreign governmental laws or restrictions.

**NOTE 4: ADMINISTRATIVE FEES, EXPENSES AND WAIVERS**

**(a) Administrative Fees and Expenses**

Administrative fees presented on the statement of changes in fiduciary net position include program management fees, state administrative fees and distribution and service fees, as described below. All administrative fees are accrued daily and calculated based on the aggregate net position attributable to non-Rhode Island resident accounts in each investment option. Administrative fees do not include annual account fees or transaction services fees charged directly to the account owners, which are included in withdrawals, as disclosed in Note 3(g).

Program Management Fee

All non-Rhode Island resident accounts are assessed a program management fee, which is paid to ACSR to cover the costs of administering and managing the Program.

**Rhode Island Higher Education Savings Trust**  
(A Fiduciary Fund of the State of Rhode Island and Providence Plantations)

**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 4: ADMINISTRATIVE FEES, EXPENSES AND WAIVERS (Continued)**

**(a) Administrative Fees and Expenses (Continued)**

State Administrative Fees and Expenses

All non-Rhode Island resident accounts invested in CollegeBound 529 are assessed a state administrative fee, which is paid to the State Administrators to support the administration and operation of CollegeBound 529 and the establishment and marketing of educational activities and scholarship funds in the state of Rhode Island. The amount of state administrative fees and expenses includes 0.5 basis points (0.005%) accrued on all investment options in CollegeBound 529, which is remitted to the Treasurer to cover administrative costs, and 1.5 basis points (0.015%) accrued on all investment options in CollegeBound 529, which is contributed to the Student Fund managed by the Rhode Island Office of the Postsecondary Commissioner to be used to fund Rhode Island Promise scholarships. For the year ended June 30, 2020, the state administrative fee totaled \$244,190, and the Student Fund contribution paid from Program assets totaled \$732,583.

In addition to the 1.5 basis points paid to the Student Fund from the Program's assets, Invesco is required to contribute 9.5 basis points (0.095%) to the Student Fund. Such contributions, which totaled \$4,687,679 for the year ended June 30, 2020, are paid directly by Invesco and are not included in state administrative fees and expenses in the accompanying financial statements.

Distribution and Service Fee

All non-Rhode Island resident accounts in CollegeBound 529 are subject to an annual distribution and service fee, which is paid to Invesco and financial advisors for the performance of certain distribution and account servicing functions.

Administrative fees and expenses for the year ended June 30, 2020 are as follows:

Program management fees	\$ 7,407,937
Distribution and service fees	13,618,297
State administrative fees and expenses	<u>976,773</u>
Total administrative fees and expenses	<u>\$ 22,003,007</u>

**(b) Underlying Fund Expenses**

Fees related to management of the Underlying Funds (Underlying Fund Expense) reduce the amount of income available for distribution to RIHEST. These expenses are not direct expenses paid from RIHEST assets, and therefore, are not included in administrative fees in RIHEST's financial statements.

The Underlying Fund Expense on certain Underlying Funds may not exceed certain amounts as specified in the CollegeBound 529 Program Description and the CollegeBound Saver Program Description. In the event that the Underlying Fund Expense exceeds the maximum limit, Invesco is required to reimburse RIHEST for the excess. Such reimbursements, referred to as "fee waivers," totaled \$232,239 for the year ended June 30, 2020, and are netted against administrative fees for purposes of presentation on the statement of changes in fiduciary net position.

**Rhode Island Higher Education Savings Trust**  
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**Notes to Financial Statements**  
**June 30, 2020**

***NOTE 5: COVID-19 IMPACT***

As of the date of the independent auditor's report, the COVID-19 pandemic has had an adverse impact on both domestic and global financial markets. Management of RIHEST is unable to accurately predict how the COVID-19 pandemic will impact RIHEST, account owner savings behavior or the volume of withdrawals due to uncertainties surrounding the severity of the disease and the duration of its outbreak.



**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***

State of Rhode Island Office of the General Treasurer  
Ascensus College Savings Recordkeeping Services, LLC, Program Manager  
Rhode Island Higher Education Savings Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **Rhode Island Higher Education Savings Trust (RIHEST)**, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise RIHEST's basic financial statements, and have issued our report thereon dated October 30, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered RIHEST's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIHEST's internal control. Accordingly, we do not express an opinion on the effectiveness of RIHEST'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 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. We did identify certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as described in the section that follows.

### **Significant Deficiency in Internal Control over Financial Reporting – Omnibus Accounts**

*Criteria* – As of the date of this report, the Program Manager has entered into three omnibus services agreements pursuant to which third-party investment firms (referred to as “omnibus partners”) are responsible for new account enrollments, maintenance, transaction processing, recordkeeping and tax reporting for certain participant accounts. Separate accounts are maintained for each of the three omnibus partners on the Program Manager’s recordkeeping platform. The omnibus partners provide activity files containing account-level transactions and balances to the Program Manager daily. To ensure that there are no errors in financial reporting, controls should exist to ensure that the omnibus partners’ account balances on the Program Manager’s recordkeeping platform agree to or are reconciled with the account balances on each respective omnibus partner’s recordkeeping platform. In addition, controls should exist to ensure that aggregated activity occurring within participant accounts on each omnibus partner’s platform is accurately reported on the Program Manager’s recordkeeping platform. These controls are critical to ensure accurate and complete financial reporting for all of the balances and transactions attributable to RIHEST in accordance with accounting principles generally accepted in the United States (US GAAP).

*Condition/Cause* – A daily reconciliation process between the Program Manager and custodian occurs for all RIHEST balances and transactions, including omnibus-level balances and transactions. This ensures that all balances and transactions recorded on the Program Manager’s recordkeeping platform are consistent with those recorded by the custodian. However, this reconciliation process will not detect errors in data exchanged between the Program Manager and the omnibus partners, nor will it detect missing or incomplete information. Currently, there are no periodic reconciliations between each omnibus partner’s balance and transactions recorded on the Program Manager’s recordkeeping platform to those recorded on each respective omnibus partner’s recordkeeping platform. Reporting provided by the omnibus partners to the Program Manager is not sufficient to allow such reconciliations to take place, and enhanced reporting will be needed from the omnibus partners to establish such periodic reconciliations.

*Effect* – Financial reports generated from the Program Manager’s recordkeeping platform that are necessary to ensure reporting in accordance with US GAAP were inaccurate and incomplete, containing balances and transactions that did not reconcile to those reported by the custodian nor to the omnibus partners. This issue was identified during the audit process, and significant effort was required on the part of the Program Manager to reconcile balances and transactions and to prepare accurate reports.

*Recommendation* – This matter was identified during our audit of RIHEST’s basic financial statements as of and for the fiscal year ended June 30, 2019, when there was only one omnibus partner, and was not corrected during the year ended June 30, 2020. We recommend that the Program Manager develop control processes to ensure periodic reconciliations of balances and transactions on its recordkeeping platform with those on the recordkeeping platforms of the omnibus partners. This reconciliation process should also include a verification of the accuracy of financial reports that are critical to plan-wide financial reporting.



State of Rhode Island Office of the General Treasurer  
Ascensus College Savings Recordkeeping Services, LLC, Program Manager  
Rhode Island Higher Education Savings Trust

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

  
Certified Public Accountants

October 30, 2020  
Little Rock, Arkansas