



California's 529A Qualified ABLE Program
Annual Report

June 30, 2023

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM
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June 30, 2023

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Report of Independent Auditors

To the Trustee of the California's 529A Qualified ABLE Program

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the California's 529A Qualified ABLE Program (the "Program"), which comprise the statement of fiduciary net position as of June 30, 2023, and the related statement of changes in fiduciary net position for the year then ended, including the related notes, which collectively comprise the Program's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Program as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government*

PricewaterhouseCoopers LLP, 214 N. Tryon Street, Suite 4200, Charlotte, NC 28202
T: (704) 344 7500, www.pwc.com/us



Auditing Standards, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 5 and 6 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. The supplemental statements of fiduciary net position and changes in fiduciary net position as of and for the year ended June 30, 2023 (the



“supplemental information”) on pages 15 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2023 on our consideration of the Program’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 for the year ended June 30, 2023. 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 the Program’s internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
August 31, 2023

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

As program manager of the California's 529A Qualified ABLE Program (the "Program"), TIAA-CREF Tuition Financing, Inc. ("TFI") offers readers of the Program's financial statements this discussion and analysis of the financial performance for the year ended June 30, 2023. Readers should consider the information presented in this section in conjunction with the Program's financial statements and notes to financial statements. The Program is comprised of four investment Options (the "Options") in which account owners ("Account Owners") may invest.

Financial Highlights

The following table summarizes returns (net of fees) posted by each investment option during the years ended June 30, 2023 and 2022:

	<u>Year Ended</u> <u>June 30, 2023</u>	<u>Year Ended</u> <u>June 30, 2022</u>
<u>Target Risk Investment Options:</u>		
Conservative Portfolio	2.96%	(8.24)%
Moderate Portfolio	7.62%	(11.97)%
Aggressive Portfolio	13.26%	(14.53)%
<u>FDIC-Insured Option:</u>		
FDIC-Insured Portfolio	0.70%	0.00%

The Program received \$25.7 million and \$29.2 million in net subscriptions from Account Owners during the years ended June 30, 2023 and 2022, respectively.

During the year ended June 30, 2023, the Program earned \$1,553.6 thousand of investment income, incurred \$402.4 thousand of operating expenses and had a net increase in fair value of investments of \$3,812.2 thousand. During the year ended June 30, 2022, the Program earned \$946.9 thousand of investment income, incurred \$301.7 thousand of operating expenses and had a net decrease in fair value of investments of \$(7,163) thousand.

Overview of the Financial Statements

The Program's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

This report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are comprised of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position, and Notes to Financial Statements that explain the information in the financial statements and provide more detailed information. The measurement focus of economic resources is where a set of financial statements report all inflows, outflows and balances effecting an entity's net position.

The Statement of Fiduciary Net Position presents information on the Program's assets and liabilities, with the difference between the two reported as net position as of June 30, 2023. This statement, along with all of the Program's financial statements, is prepared using the accrual basis of accounting. Subscriptions are recognized when enrollment in the Program is finalized; subsequent subscriptions and redemptions are recognized on trade date; expenses and liabilities are recognized when services are provided regardless of when cash is disbursed.

The Statement of Changes in Fiduciary Net Position presents information showing how the Program's assets changed during the year. Changes in net position are reported as soon as the underlying event giving rise to the current change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

This report presents the operating results and financial status of the Program, which the State of California reports as a fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity.

Financial Analysis

Net position - The following are condensed Statements of Fiduciary Net Position as of June 30, 2023 and 2022:

	2023	2022
Investments	\$ 108,369,165	\$ 77,494,465
Cash	7,804	16,286
Receivables	214,966	85,245
Total Assets	108,591,935	77,595,996
Payables	188,408	56,743
Total Liabilities	188,408	56,743
Total Net Position	\$ 108,403,527	\$ 77,539,253

Net position represents total subscriptions from Account Owners, plus the net increases (decreases) from operations, less redemptions and expenses.

Investments are approximately 100% of total net position, and consist of the Options, each of which invests in varying percentages in multiple TIAA-CREF Funds, or a funding agreement ("Funding Agreement") issued by TIAA-CREF Life Insurance Company to the California ABLE Act Board as the policy holder on behalf of the Program. The FDIC-Insured Investment Option invests in an interest-bearing custodial account at TIAA Bank. Receivables consist of securities sold, subscriptions, and accrued income. Liabilities consist mainly of payables for securities purchased, redemptions, and accrued expenses.

Changes in net position - The following are condensed Statements of Changes in Fiduciary Net Position for the year ended June 30, 2023 and 2022:

	2023	2022
Additions:		
Subscriptions	\$ 45,031,906	\$ 46,474,640
Investment Income	1,553,585	946,905
Net increase in fair value of investments	3,812,231	—
Total Additions	50,397,722	47,421,545
Deductions:		
Redemptions	(19,286,911)	(17,267,463)
Expenses:		
Administrative fee	(402,427)	(301,685)
Total expenses	(402,427)	(301,685)
Less: Administrative fee waiver	155,890	106,040
Net expenses	(246,537)	(195,645)
Net decrease in fair value of investments	—	(7,163,044)
Total Deductions	(19,533,448)	(24,626,152)
Changes in Net Position	30,864,274	22,795,393
Net position - beginning of year	77,539,253	54,743,860
Net position - end of year	\$ 108,403,527	\$ 77,539,253

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

ASSETS

Cash	\$ 7,804
Investments, at value (Cost: \$109,732,795)	108,369,165
Dividends and interest receivable	86,848
Receivable from Program units sold	128,118
TOTAL ASSETS	<u>108,591,935</u>

LIABILITIES

Accrued Administrative fee	23,816
Payable for securities transactions	125,426
Payable for Program units redeemed	39,166
TOTAL LIABILITIES	<u>188,408</u>

NET POSITION

Held in trust for Account Owners in the Program	<u>\$ 108,403,527</u>
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See notes to financial statements

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

ADDITIONS

Subscriptions	\$ 45,031,906
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Investment income:

Interest	426,620
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Dividends	1,126,965
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Net increase in fair value of investments	3,812,231
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Total net investment income	<u>5,365,816</u>
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Total additions	<u>50,397,722</u>
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DEDUCTIONS

Redemptions	(19,286,911)
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Expenses:

Administrative fee	(402,427)
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Total expenses	<u>(402,427)</u>
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Less: Administrative fee waiver	155,890
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Net expenses	<u>(246,537)</u>
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Total deductions	<u>(19,533,448)</u>
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Changes in net position	30,864,274
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Net position – beginning of period	<u>77,539,253</u>
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Net position – end of period	<u>\$ 108,403,527</u>
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See notes to financial statements

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Significant Accounting Policies

The California's 529A Qualified ABLE Program ("Program") is a tax-advantaged savings program offered by the California ABLE Act Board ("Board"), to establish and maintain programs that allow eligible individuals to save for qualified disability expenses on a tax-advantaged basis without jeopardizing eligibility for federal means-tested benefits. The Program operates under the overall direction and supervision of the Board which is chaired by the California State Treasurer. Assets in the Program are held in the California ABLE Program Trust (the "Trust") for which the Board serves as the Trustee. The responsibilities of the Board with respect to the Program include: making and entering into contracts necessary for the administration of the Trust and the Program, selecting the investment portfolios offered in the Program, managing and operating the Program, and adopting regulations for the administration of the Program. TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly owned direct subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Board entered into an agreement (the "Management Agreement") under which TFI provides, or arranges to provide, certain services on behalf of the Board to the Program including investment recommendations, recordkeeping, reporting, and marketing. The financial statements are for the period July 1, 2022 to June 30, 2023. The Program is designed to be, and is intended to satisfy the requirements for treatment as, a qualified ABLE Program under Section 529A of the Internal Revenue Code ("Code"). Investment Options (the "Options" or individually "Option") allocations and fees, as approved by the Board, are described in the current Disclosure Statement for the Program.

To the extent that a Target Risk Investment Option allocates assets to the Funding Agreement, the Funding Agreement provides a minimum guaranteed rate of return on the amounts allocated to it by that Investment Option. The Funding Agreement was issued by TIAA-CREF Life Insurance Company ("TIAA Life") to the Board as the policyholder on behalf of the Program. The minimum effective annual interest rate will be neither less than 1% nor greater than 3% at any time. The guarantee is made by TIAA Life to the Board as the policyholder. In addition to the guaranteed rate of interest to the policyholder, the Funding Agreement allows for the possibility that additional interest may be credited as declared periodically by TIAA Life.

Account assets in the FDIC-Insured Portfolio are 100% invested in an interest-bearing custodial account at TIAA Bank, a division of TIAA, FSB, a federally chartered savings bank and an affiliate of TFI. TIAA Bank will determine the applicable interest rate on the FDIC-Insured Portfolio in its sole discretion. At its discretion and without further notice to you, TIAA Bank may, at any time, change the interest rate for the FDIC-Insured Portfolio. The interest rate paid with respect to the FDIC-Insured Portfolio may be higher or lower than the interest rate available to individuals or entities making deposits directly with TIAA Bank or other depository institutions in comparable accounts. In addition, TIAA Bank reserves the right to establish (and change) balance levels on which different rates of interest may be paid.

Teachers Advisors, LLC ("Advisors"), an affiliate of TFI, is registered with the Securities and Exchange Commission as an investment adviser and provides investment advisory services to the TIAA-CREF Funds (the "Funds"). TIAA-CREF Individual & Institutional Services, LLC ("Services"), a wholly owned, direct subsidiary of TIAA, serves as the primary distributor and underwriter for the Program and provides certain underwriting and distribution services. Services is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended and is a member of the Financial Industry Regulatory Authority.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB") which may require the use of estimates made by management and the evaluation of subsequent events. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Program.

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM

NOTES TO FINANCIAL STATEMENTS (continued)

Investment transactions and investment income: Securities transactions are accounted for as of the trade date for financial reporting purposes. Interest income is recorded as earned. Dividend income and capital gain distributions from the underlying mutual funds are recorded on the ex-dividend date. Income distributions from underlying mutual funds are included in total investment income and gain distributions are included in net increase in fair value of investments. Realized gains and losses are based upon the specific identification method.

Income tax: No provision for federal income tax has been recorded. The Program is designed to constitute a qualified ABLE program under Section 529A of the Code and does not expect to have any unrelated business income subject to tax.

Units: The beneficial interests for each account owner ("Account Owner") in the Options are represented by Program units. Subscriptions and redemptions are recorded upon receipt of Account Owner's instructions in good order, based on the next determined net position value per unit ("Unit Value"). Unit Values for each Option are determined at the close of business of the New York Stock Exchange. The Unit Value for financial reporting purposes may differ from the Unit Value for processing transactions. The Unit Value for financial reporting purposes includes security and shareholder transactions through the date of this report. There are no distributions of net investment gains or net investment income to the Option's Account Owners or beneficiaries.

Subscriptions and Redemptions: Subscriptions on the Statement of Changes in Fiduciary Net Position include any subscriptions to the Program made by Account Owners and any exchanges within the Program that result in a reinvestment of assets. Redemptions on the Statement of Changes in Fiduciary Net Position include any redemptions from the Program made by Account Owners and any exchanges within the Program that result in a withdrawal and subsequent reinvestment of assets.

Note 2 – Valuation of Investments

Fair value measurements are grouped categorically into three levels, as defined by the GASB. The levels are defined as follows:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit spreads, etc.)
- Level 3 – significant unobservable inputs (including the Program's own assumptions in determining the fair value of investments)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

A description of the valuation techniques applied to the Program's major categories of investments follows:

Investments in registered investment companies: These investments are valued at their published net asset value on the valuation date. These investments are categorized in Level 1 of the fair value hierarchy.

Funding Agreements: The Funding Agreements, to which the Conservative Portfolio and Moderate Portfolio allocate assets, are considered a nonparticipating interest-earning investment contract and are accounted for at cost. Because the Funding Agreements are valued at cost, they are not included in the fair value hierarchy.

FDIC-Insured Portfolio: The TIAA Bank FDIC-Insured Savings Account ("Savings Account") to which the FDIC-Insured Portfolio allocates assets, is considered a non-participating interest-earning investment contract and is accounted for at cost. Because the Savings Account is valued at cost, it is not included in the fair value hierarchy.

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM

NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 – Program Fees

For its services in administering the Program, each Option pays to the Board a State administrative fee at an annual rate of 0.44% of the average daily net assets of the Option. Currently the 0.44% State administrative fee for the FDIC-Insured Option is being waived by the Board.

These amounts are reflected in the expenses on the Statement of Changes in Fiduciary Net Position.

All Accounts are subject to the annual maintenance fee of \$37. While this is not a fund expense, a pro-rated portion of the annual maintenance fee will be deducted proportionately from each investment Option in which you are invested on a monthly basis.

The Options are not charged with management fees, but Advisors is paid investment management fees on the underlying investments in the Funds (with the exception of the FDIC-Insured Option).

Note 4 – Investments

Cash deposits: Cash deposits are covered up to applicable limits of insurance available through the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of FDIC limits are not collateralized or subject to supplemental insurance.

Investments: As of June 30, 2023, net unrealized appreciation (depreciation) of portfolio investments was \$(1,363,630) consisting of gross unrealized appreciation of \$2,044,981 and gross unrealized depreciation of \$3,408,611.

As of June 30, 2023, the Program's investments consist of the following:

	<u>Units</u>		<u>Cost</u>		<u>Value</u>
TIAA-CREF Funds (Institutional Class):					
Bond Index Fund	1,999,636	\$	21,495,805	\$	19,056,531
Emerging Markets Equity Index Fund	227,343		2,698,466		2,348,448
Equity Index Fund	851,187		24,966,739		26,837,913
Inflation-Linked Bond Fund	466,186		5,476,974		4,857,657
International Equity Index Fund	389,834		8,168,652		8,342,457
TIAA Bank:					
FDIC-Insured Savings Account	41,201,567		41,201,567		41,201,567
TIAA-CREF Life Insurance Company:					
Funding Agreements	5,724,592		5,724,592		5,724,592
			<u>\$ 109,732,795</u>		<u>\$ 108,369,165</u>

Note 5 – Investment Risks

Certain investments are subject to a variety of investment risks based on the amount of risk in the underlying funds. GASB requires that entities disclose certain essential risk information about deposits and investments. All of the Program's Options are uninsured, unregistered and are held by a custodian in the Program's name.

Investment Policy: The Program does not have specific investment policies which address credit, interest rate, foreign currency or custodial credit risk. The Program's Options are managed based on specific investment objectives and strategies which are disclosed in the Program's current Disclosure Booklet.

Custodial credit risk: Custodial credit risk represents the potential inability of a custodian to return the Program's deposits and investments in the event of a failure. Because the investments are in the Program's name, the custodial credit risk is mitigated.

Credit risk: The Funds investing primarily in fixed income securities are subject to credit risk. Credit risk refers to the ability of the issuer to make timely payments of interest and principal. The Funds do not carry a formal credit quality rating. The Funding Agreement is a guaranteed insurance product issued by TIAA Life. TIAA Life had a Standard & Poor's credit rating

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM

NOTES TO FINANCIAL STATEMENTS (concluded)

of AA+ at June 30, 2023. The Savings Account is an interest-bearing custodial account at TIAA Bank and it is an investment of the FDIC-Insured Option.

Interest rate risk: Interest rate risk represents exposure to changes in the fair value of investments due to volatility in interest rates. At June 30, 2023, the average maturities for the fixed income mutual funds are as follows:

<u>Investment</u>	<u>Value</u>	<u>Weighted Average Maturity</u>
TIAA-CREF Funds (Institutional Class):		
Bond Index Fund	\$ 19,056,531	8.86 years
Inflation-Linked Bond Fund	4,857,657	4.47 years

Investments in the FDIC-Insured Portfolio are FDIC insured up to \$250,000, subject to certain FDIC limits and restrictions.

Foreign currency risk: Foreign currency risk represents exposure to changes in the fair value of investments due to volatility in exchange rates. The Program does not have any direct investment in foreign securities. Certain Program Options allocate assets to Funds that are exposed to foreign currency risk. At June 30, 2023, the value of investments in the Funds that significantly invest in foreign denominated contracts are as follows:

<u>Investment</u>	<u>Value</u>
TIAA-CREF Funds (Institutional Class):	
Emerging Markets Equity Index Fund	\$ 2,348,448
International Equity Index Fund	8,342,457

Note 6 - Guarantees and Indemnifications

Under the Program's organizational documents, each officer, employee or other agent of the Program (including TFI) is indemnified against certain liabilities that may arise out of performance of their duties to the Program. Additionally, in the normal course of business, the Program enters into contracts that contain a variety of indemnification clauses. The Program's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Program that have not yet occurred. However, the Program has not had prior claims or losses pursuant to these contracts, and management expects the risk of loss to be remote.

Note 7 - Subsequent events

As of July 31, 2023, TIAA Bank was sold and is now Everbank.

As of the close of business on August 18, 2023, the Board, as trustee of California's 529A Qualified ABLE Program, transferred program management of the Plan from TFI to Vestwell State Savings, LLC, the new Program Manager.

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SUPPLEMENTAL INFORMATION

The following information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the California's 529A Qualified ABLE Program (the "Program"). It shows financial information relating to the investment Options, which are included in the Program for the period ended June 30, 2023.

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2023

Target Risk Investment Options				
	Conservative Portfolio	Moderate Portfolio	Aggressive Growth Portfolio	Total
ASSETS				
Investments, at value:				
TIAA-CREF Funds:				
Bond Index Fund	\$ 7,658,349	\$ 7,405,688	\$ 3,992,494	\$ 19,056,531
Emerging Markets Equity Fund	254,294	712,609	1,381,545	2,348,448
Equity Index Fund	2,845,941	7,925,328	16,066,644	26,837,913
Inflation-Linked Bond Fund	2,015,272	1,848,155	994,230	4,857,657
International Equity Index Fund	908,626	2,538,149	4,895,682	8,342,457
SUBTOTAL	13,682,482	20,429,929	27,330,595	61,443,006
TIAA-CREF Life Insurance Company:				
Funding Agreement	4,675,350	1,049,242	—	5,724,592
TOTAL INVESTMENTS	18,357,832	21,479,171	27,330,595	67,167,598
Cash	20,095	—	—	20,095
Dividends and interest receivable	51,958	25,326	9,564	86,848
Receivable from Program units sold	9,633	30,360	22,143	62,136
TOTAL ASSETS	18,439,518	21,534,857	27,362,302	67,336,677
LIABILITIES				
Overdraft payable	—	2,994	9,297	12,291
Accrued administrative fee	6,572	7,636	9,608	23,816
Payable for securities transactions	38,646	34,128	25,836	98,610
Payable for Program units redeemed	—	—	—	—
TOTAL LIABILITIES	45,218	44,758	44,741	134,717
NET POSITION	\$ 18,394,300	\$ 21,490,099	\$ 27,317,561	\$ 67,201,960
UNITS OUTSTANDING	1,604,525	1,635,723	1,806,887	
NET POSITION VALUE PER UNIT	\$ 11.46	\$ 13.14	\$ 15.12	
INVESTMENTS AT COST	\$ 19,484,009	\$ 22,256,143	\$ 26,791,076	\$ 68,531,228

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2023

**FDIC-Insured
Investment Option**

	FDIC-Insured Portfolio	Total
ASSETS		
Investments, at value:		
TIAA Bank:		
TIAA Bank FDIC-Insured Savings Account	\$ 41,201,567	\$ 41,201,567
TOTAL INVESTMENTS	41,201,567	41,201,567
Receivable from Program units sold	65,982	65,982
TOTAL ASSETS	41,267,549	41,267,549
LIABILITIES		
Payable for securities transactions	26,816	26,816
Payable for Program units redeemed	39,166	39,166
TOTAL LIABILITIES	65,982	65,982
NET POSITION	\$ 41,201,567	\$ 41,201,567
UNITS OUTSTANDING	4,062,516	
NET POSITION VALUE PER UNIT	\$ 10.14	
INVESTMENTS AT COST	\$ 41,201,567	\$ 41,201,567

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

Target Risk Investment Options

	Conservative Portfolio	Moderate Portfolio	Aggressive Growth Portfolio	Total
ADDITIONS				
Subscriptions	\$ 7,506,790	\$ 7,444,022	\$ 9,110,556	\$ 24,061,368
Increase from investment operations:				
Interest	118,142	44,674	12,985	175,801
Dividends from underlying funds	304,414	391,284	431,267	1,126,965
Realized gain distributions from underlying funds	21,516	29,121	36,117	86,754
Net unrealized appreciation on underlying fund shares	190,525	1,026,128	2,533,098	3,749,751
Net realized gain on investments in underlying fund shares	—	9,502	20,396	29,898
Net increase from investment operations	634,597	1,500,709	3,033,863	5,169,169
TOTAL ADDITIONS	\$ 8,141,387	\$ 8,944,731	\$ 12,144,419	\$ 29,230,537
DEDUCTIONS				
Redemptions	\$ 3,748,465	\$ 2,840,199	\$ 2,962,655	\$ 9,551,319
Expenses:				
Administrative fee	70,374	79,291	96,872	246,537
Total expenses	70,374	79,291	96,872	246,537
Net realized loss on investments in underlying fund shares	54,172	—	—	54,172
TOTAL DEDUCTIONS	\$ 3,873,011	\$ 2,919,490	\$ 3,059,527	\$ 9,852,028
NET POSITION				
Net increase in fiduciary net position	4,268,376	6,025,241	9,084,892	19,378,509
Beginning of year	14,125,924	15,464,858	18,232,669	47,823,451
End of year	\$ 18,394,300	\$ 21,490,099	\$ 27,317,561	\$ 67,201,960

CALIFORNIA'S 529A QUALIFIED ABLE PROGRAM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

		FDIC-Insured Investment Option	
		FDIC-Insured Portfolio	Total
ADDITIONS			
Subscriptions		\$ 20,970,538	\$ 20,970,538
Increase from investment operations:			
Interest		250,819	250,819
Net increase from investment operations		250,819	250,819
TOTAL ADDITIONS		<u>\$ 21,221,357</u>	<u>\$ 21,221,357</u>
DEDUCTIONS			
Redemptions		\$ 9,735,592	\$ 9,735,592
Expenses:			
Administrative fee		155,890	155,890
Total expenses		155,890	155,890
Less: Administrative fee waiver		\$ (155,890)	\$ (155,890)
TOTAL DEDUCTIONS		<u>\$ 9,735,592</u>	<u>\$ 9,735,592</u>
NET POSITION			
Net increase in fiduciary net position		11,485,765	11,485,765
Beginning of year		29,715,802	29,715,802
End of year		<u>\$ 41,201,567</u>	<u>\$ 41,201,567</u>



Report of Independent Auditors 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*

To the Trustee of California's 529A Qualified ABLE Program

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 California's 529A Qualified ABLE Program (the "Program"), which comprise the statement of fiduciary net position as of June 30, 2023, and the related statement of changes in fiduciary net position for the year then ended, including the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated August 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program'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 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*.

PricewaterhouseCoopers LLP, 214 N. Tryon Street, Suite 4200, Charlotte, NC 28202
T: (704) 344 7500, www.pwc.com/us

**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 Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
August 31, 2023