



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

Annual Report

September 30, 2024



Michigan Education Savings Program

Direct-Sold Plan

(A Fiduciary Fund of the State of Michigan)

TABLE OF CONTENTS

September 30, 2024

	<u>Page</u>
REPORT OF INDEPENDENT AUDITORS	1 – 3
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)	4 – 7
BASIC FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	8
Statement of Changes in Fiduciary Net Position	9
Notes to Financial Statements	10 – 19
SUPPLEMENTARY INFORMATION	
Statements of Fiduciary Net Position	21 – 25
Statements of Changes in Fiduciary Net Position	26 – 30
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 <i>GOVERNMENT AUDITING STANDARDS</i>	31 – 32

Report of Independent Auditors

Ms. Rachael Eubanks, Trustee, Michigan Education Savings Program,
Michigan Department of Treasury
Mr. Doug A. Ringler, CPA, CIA, Auditor General, State of Michigan
Lansing, MI

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Direct-Sold Plan, a component of the Michigan Education Savings Program, a fiduciary fund of the State of Michigan, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Direct-Sold Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Direct-Sold Plan as of September 30, 2024, and the changes in 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 (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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Direct-Sold Plan 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Direct-Sold Plan, a component of the Michigan Education Savings Program, a fiduciary fund of the State of Michigan, and do not purport to, and do not, present fairly the financial position of the Michigan Education Savings Program in its entirety as of September 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

Auditor's 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 auditor's 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 GAAS and *Government 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 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 Direct-Sold Plan'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.

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 Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Direct-Sold Plan's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2024, on our consideration of the Direct-Sold Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Direct-Sold Plan's 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 Direct-Sold Plan's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Okemos, Michigan
December 17, 2024



**Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
(Unaudited)
September 30, 2024**

As Program Manager of the Michigan Education Savings Program (the Program) Direct-Sold Plan (the Direct Plan) offered by the state of Michigan (the State), TIAA-CREF Tuition Financing, Inc. (TFI) offers this discussion and analysis of the Direct Plan’s financial performance for the year ended September 30, 2024, with comparative information for the year ended September 30, 2023. Readers should consider the information presented in this section in conjunction with the Direct Plan’s financial statements and notes thereto (collectively, “the Basic Financial Statements”). Readers may also find useful the supplementary information on pages 21 through 30, which provide information about the activities and balances attributable to each investment option offered to account owners.

The Direct Plan is one of three education savings plans offered by the State. The information in this annual report pertains to the Direct Plan only and does not include information attributable to the MI 529 Advisor Plan or the Michigan Education Trust, which are the two other education savings plans offered by the State.

This annual report consists of three parts: Management’s Discussion and Analysis (this section), the Basic Financial Statements, and supplementary information detailing balances and transactions attributable to each investment option. The Basic Financial Statements consist of a Statement of Fiduciary Net Position, a Statement of Changes in Fiduciary Net Position, and Notes to Financial Statements that explain some of the information in the financial statements and provide more detailed information.

Financial Highlights

The following table summarizes returns (net of fees) posted by each investment option during the years ended September 30, 2024 and 2023:

	<u>Year Ended</u> <u>September 30, 2024</u>	<u>Year Ended</u> <u>September 30, 2023</u>		<u>Year Ended</u> <u>September 30, 2024</u>	<u>Year Ended</u> <u>September 30, 2023</u>
<u>Enrollment Year Investment Options</u>			<u>Enrollment Year Investment Options</u>		
2040/2041 Enrollment Option	27.91%	(2.90%) ⁽¹⁾	2028/2029 Enrollment Option	19.57%	10.42%
2038/2039 Enrollment Option	27.49%	15.57%	2026/2027 Enrollment Option	15.54%	8.63%
2036/2037 Enrollment Option	26.73%	14.89%	2024/2025 Enrollment Option	11.76%	7.07%
2034/2035 Enrollment Option	25.79%	14.33%	2022/2023 Enrollment Option	N/A	5.85% ⁽²⁾
2032/2033 Enrollment Option	24.71%	13.62%	In School Option	9.53%	4.80%
2030/2031 Enrollment Option	22.81%	12.29%			

⁽¹⁾ Effective June 9, 2023, the 2040/2041 Enrollment Option was added to the Direct Plan as an additional Enrollment Year Investment Option. The 2023 return for the 2040/2041 Enrollment Option is for the period from June 9, 2023 through September 30, 2023.

(Continued)

No assurance is provided on the information in management’s discussion and analysis.



Michigan Education Savings Program

Direct-Sold Plan

(A Fiduciary Fund of the State of Michigan)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

September 30, 2024

Financial Highlights (Continued)

	Year Ended September 30, 2024	Year Ended September 30, 2023		Year Ended September 30, 2024	Year Ended September 30, 2023
<u>Other Investment Options</u>			<u>Other Investment Options</u>		
Aggressive Allocation Option	27.77%	15.48%	Large Cap Value Equity Index Option	29.77%	14.76%
Moderate Allocation Option	23.52%	11.77%	Small/Mid Cap Equity Index Option	28.54%	14.53%
Conservative Allocation Option	15.43%	6.94%	Emerging Markets Equity Index Option	24.80%	10.78%
International Equity Index Option	25.15%	22.89%	Principal Plus Interest Option	2.95%	2.40%
Global Equity Index Option	32.12%	21.39%			
100% Fixed-Income Option	11.14%	1.88%	<u>State Matching Grant Program</u>		
U.S. Equity Index Option	35.11%	20.32%	Matching Grant	11.41%	0.68%
Large Cap Growth Equity Index Option	41.80%	28.10%			

⁽²⁾ Effective June 9, 2023, the 2022/2023 Enrollment Option (see previous page) was discontinued, and account owner balances were transferred to the existing In School Option. The 2023 return for the 2022/2023 Enrollment Option is for the period from October 1, 2022 through June 8, 2023.

The Direct Plan paid \$18.5 million and \$28.5 million in net redemptions (withdrawals less contributions) during the years ended September 30, 2024 and 2023, respectively.

During the year ended September 30, 2024, the Direct Plan earned \$1.4 billion in net investment income, resulting from \$208.6 million in interest and dividends and a \$1.2 billion net increase in the fair value of investments. During the year ended September 30, 2023, the Direct Plan earned \$678.5 million in net investment income, resulting from \$178.4 million in interest and dividends and a \$500.1 million net increase in the fair value of investments.

Program Manager fees and State administrative fees during the years ended September 30, 2024 and 2023 totaled \$3.4 million and \$3.0 million, respectively. These fees are calculated on the average net position in each investment option and are paid to the Program Manager and the Michigan Department of Treasury (the Department), respectively, for performing administrative, marketing, and other services with respect to the Direct Plan.

No assurance is provided on the information in management's discussion and analysis.



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Unaudited)
September 30, 2024

Overview of the Basic Financial Statements

The Direct Plan is included in the financial reporting entity of the State as a fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity.

The Direct Plan’s Basic Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) prescribed by the Governmental Accounting Standards Board (GASB), as applicable to fiduciary funds. Accordingly, the Direct Plan’s Basic Financial Statements are prepared using the economic resources measurement focus and accrual basis of accounting.

The Statement of Fiduciary Net Position presents information on the Direct Plan’s assets and liabilities, with the difference between the two reported as fiduciary net position. The Statement of Changes in Fiduciary Net Position presents information showing how the Direct Plan’s fiduciary net position changed during the period presented. Changes in fiduciary net position are reported as soon as the underlying event giving rise to the 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.

The Direct Plan’s assets are invested in mutual funds, exchange-traded funds (ETFs), and funding agreements issued by TIAA-CREF Life Insurance Company. Mutual funds and ETFs are reported at fair value, and the funding agreements are reported at cost. All investment transactions are reported on a trade-date basis. Changes in the reported fair value of mutual funds and ETFs resulting from realized and unrealized gains and losses are reported as “net increase (decrease) in the fair value of investments.” Dividends and capital gain distributions are reported on the ex-dividend date. Contributions are recognized when received, provided enrollment in the Direct Plan has been successfully completed, and withdrawals are recognized when the withdrawal request has been received and approved for payment. Program Manager fees and State administrative fees accrue daily.

Financial Analysis

Fiduciary Net Position

The following are condensed Statements of Fiduciary Net Position as of September 30, 2024 and 2023:

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total Assets	\$ 8,488,694,243	\$ 7,087,342,260
Total Liabilities	6,976,926	3,678,860
Fiduciary Net Position	<u>\$ 8,481,717,317</u>	<u>\$ 7,083,663,400</u>

No assurance is provided on the information in management’s discussion and analysis.



Michigan Education Savings Program

Direct-Sold Plan

(A Fiduciary Fund of the State of Michigan)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

September 30, 2024

Financial Analysis (Continued)

Fiduciary Net Position (Continued)

Fiduciary net position represents cumulative contributions since the Direct Plan's inception, increased or decreased by net investment income or losses, and decreased by withdrawals and Program Manager fees and State administrative fees.

Investments comprise over 99% of the Direct Plan's total assets. Other assets consist of receivables from securities sold and cash resulting from contributions that have not yet been invested in accordance with account owners' instructions or withdrawal requests that have not yet been distributed as directed by account owners. Liabilities consist of payables for securities purchased, payables for withdrawals, and accrued Program Manager fees and State administrative fees.

Changes in Fiduciary Net Position

The following are condensed Statements of Changes in Fiduciary Net Position for the years ended September 30, 2024 and 2023:

	<u>Year Ended</u> <u>September 30, 2024</u>	<u>Year Ended</u> <u>September 30, 2023</u>
Additions		
Contributions	\$ 737,865,189	\$ 658,472,592
Net investment income	1,419,953,671	678,482,624
Total Additions	<u>2,157,818,860</u>	<u>1,336,955,216</u>
Deductions		
Withdrawals	(756,401,232)	(686,961,692)
Program Manager fees	(1,494,985)	(1,330,881)
State administrative fees	(1,868,726)	(1,663,611)
Total Deductions	<u>(759,764,943)</u>	<u>(689,956,184)</u>
Increase in Net Position	1,398,053,917	646,999,032
Fiduciary Net Position - Beginning of Year	<u>7,083,663,400</u>	<u>6,436,664,368</u>
Fiduciary Net Position - End of Year	<u>\$ 8,481,717,317</u>	<u>\$ 7,083,663,400</u>

No assurance is provided on the information in management's discussion and analysis.



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

STATEMENT OF FIDUCIARY NET POSITION
September 30, 2024

ASSETS

Investments	\$ 8,481,956,170
Cash	4,353,371
Receivables from securities sold	2,384,702
Total Assets	<u>8,488,694,243</u>

LIABILITIES

Accrued Program Manager fee	131,207
Accrued State administrative fee	164,005
Payables for securities purchased	3,868,246
Withdrawals payable	2,813,468
Total Liabilities	<u>6,976,926</u>

NET POSITION HELD IN TRUST FOR
ACCOUNT OWNERS AND BENEFICIARIES

\$ 8,481,717,317

See accompanying notes to financial statements.



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended September 30, 2024

ADDITIONS

Contributions	\$	737,865,189
Net investment income:		
Interest		44,505,448
Dividends		164,069,440
Net increase in the fair value of investments		1,211,378,783
Total net investment income		<u>1,419,953,671</u>
Total Additions		<u>2,157,818,860</u>

DEDUCTIONS

Withdrawals		756,401,232
Program Manager fees		1,494,985
State administrative fees		1,868,726
Total Deductions		<u>759,764,943</u>

INCREASE IN NET POSITION

1,398,053,917

**NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND
BENEFICIARIES, BEGINNING OF YEAR**

7,083,663,400

**NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND
BENEFICIARIES, END OF YEAR**

\$ 8,481,717,317

See accompanying notes to financial statements.



Michigan Education Savings Program

Direct-Sold Plan

(A Fiduciary Fund of the State of Michigan)

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

The Michigan Education Savings Program (the Program) was created by the State of Michigan (the State) pursuant to Public Act 161 of 2000, as amended (the Act), to provide a tax-advantaged way to help people save for higher education expenses. The Michigan Education Savings Program Direct-Sold Plan (the Direct Plan) is the direct-sold component under the Act, established by the Michigan Department of Treasury (the Department) and administered by the State Treasurer of Michigan (the State Treasurer). The Direct Plan is one of three education savings plans offered by the State. Assets of the Program are held in trust, and the State Treasurer serves as Trustee. The Direct Plan is intended to meet the requirements of a qualified tuition program under Section 529 of the Internal Revenue Code (the Code).

The State Treasurer may contract for services necessary for the administration of the Direct Plan. TIAA-CREF Tuition Financing, Inc. (TFI), a wholly owned, direct subsidiary of Teachers Insurance and Annuity Association of America (TIAA), and the State Treasurer entered into a management agreement under which TFI serves as Program Manager, providing certain services to the Direct Plan. TIAA-CREF Individual & Institutional Services, LLC (Services), a wholly owned, direct subsidiary of TIAA, serves as the primary distributor and underwriter for the Direct Plan and provides certain services in furtherance of TFI's marketing effort for the Direct Plan. Services is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority.

Account owners may invest their contributions in one or more investment options. The State Treasurer approves and authorizes each investment option, including the underlying investments that comprise each investment option and, if the investment option invests in more than one underlying investment, the target asset allocation. The State Treasurer may add or remove investment options or change the underlying investments and asset allocations at any time. The Direct Plan offers twelve Risk-Based Investment Options which allow account owners to choose their own strategy based on their risk tolerance and time horizon. The Direct Plan also offers ten Enrollment Year Investment Options based on the anticipated year of enrollment of the beneficiary in an eligible educational institution. The Enrollment Year Investment Options seek to match their respective risk levels to investment time horizons with asset allocations becoming increasingly more conservative as the beneficiary enrollment year approaches. The investment options, along with underlying asset allocations and fees, are described in the current *Michigan Education Savings Program Direct-Sold Plan – Program Description and Participant Agreement* (the Program Description).



Michigan Education Savings Program

Direct-Sold Plan

(A Fiduciary Fund of the State of Michigan)

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Each investment option invests in one or more open-end mutual funds, exchange-traded funds (ETFs), and funding agreements based on an asset allocation strategy approved by the State Treasurer. The funding agreements are issued by TIAA-CREF Life Insurance Company (TIAA Life), which is an affiliate of TFI, to the State as policyholder on behalf of the Direct Plan. The funding agreements provide a minimum guaranteed rate of return and allow for the possibility that additional interest may be credited periodically by TIAA Life. Together, the mutual funds, ETFs, and the funding agreements are referred to as “the Underlying Funds.”

The State previously made matching grants to the State matching grant program on behalf of eligible beneficiaries. The State has not funded the state matching grant program for new grants since 2008. Existing matching grants are invested in the TIAA-CREF Bond Index Fund.

The Direct Plan is included in the financial reporting entity of the State as a fiduciary fund. Assets are held in a trust for account owners and beneficiaries and cannot be used to support other governmental programs. These Basic Financial Statements present only the balances and transactions attributable to the Direct Plan, and do not include any balances or transactions attributable to the other education savings plans offered by the State. These Basic Financial Statements are not intended to, and do not, present fairly the financial position or changes in financial position of the Program, other plans offered under the Program, or any other fiduciary funds of the State.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to fiduciary fund types prescribed by the Governmental Accounting Standards Board (GASB), the Direct Plan’s Basic Financial Statements are prepared using the economic resources measurement focus and accrual basis of accounting. U.S. GAAP requires the use of estimates made by management and the evaluation of subsequent events. Actual results may differ from those estimates.

(b) Investment Valuation

Accounting standards categorize fair value measurements according to a hierarchy that is based on valuation inputs 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 and may include subjective assumptions in determining the fair value of investments.



Michigan Education Savings Program

Direct-Sold Plan

(A Fiduciary Fund of the State of Michigan)

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Investment Valuation (Continued)

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.

The mutual funds and ETFs in which the Direct Plan invests are reported at fair value, based on the net asset value per share (mutual funds) or closing prices (ETFs) at the close of the New York Stock Exchange (NYSE). These mutual funds and ETFs are categorized in Level 1 of the fair value hierarchy.

The funding agreements are non-participating, interest-earning investment contracts and are accounted for at cost. Because the funding agreements are valued at cost, they are not categorized according to the fair value hierarchy.

(c) Investment Transactions

Investment 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 mutual funds and ETFs are recorded on the ex-dividend date. Net realized and unrealized gains (losses) are included in “net increase (decrease) in the fair value of investments.”

(d) Cash

Cash includes 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 a non-interest-bearing account maintained at a financial institution in the Direct Plan’s name. The bank balance of this account at September 30, 2024, is \$122,259. Balances in this account are insured by the Federal Deposit Insurance Corporation (FDIC), along with any other accounts maintained at the financial institution under the same taxpayer identification number, in the aggregate, up to the maximum amount allowable under federal law. Amounts in excess of FDIC limits are not collateralized or covered by supplementary insurance.



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash (Continued)

Excess cash balances are swept daily from the BNY Mellon account described in the preceding paragraph into a separate account and invested in a government money market mutual fund structured to maintain a net asset value per share equal to \$1. The balance in this account at September 30, 2024, is \$7,307,895.

(e) Contributions

Individuals or entities meeting eligibility requirements that have properly executed a participation agreement with the Direct Plan may establish an account to which cash contributions may be made, subject to certain minimum contribution requirements and limitations on the aggregate amount of contributions that may be made. Contributions received 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.

Contributions result in the issuance of units to account owners. These units are municipal fund securities and are not a direct investment in any mutual fund, ETF, or funding agreement. In addition, these units are not insured by the FDIC, the State, or the Department, nor have they been registered with the Securities and Exchange Commission or any commission of the State.

(f) 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.

(g) Exchanges 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. These transfers of funds between investment options are referred to as “exchanges.” 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 or transfers, as these transactions have no impact on the overall financial position of the Direct Plan.



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income Taxes

The Direct Plan is designed to constitute a qualified tuition program under Section 529 of the Code and is exempt from federal and state income tax. The Direct Plan has not engaged in any activities that would subject the Direct Plan to unrelated business income tax.

(i) Unit Value

The beneficial interests attributable to each account owner in the investment options are represented by Direct Plan units. Contributions and withdrawals are recorded upon receipt of an account owners' instructions in good order, based on the next determined net asset value per unit (Unit Value), as defined in the current Program Description and related supplements. Unit Values for each investment option are determined at the close of business of the NYSE. The Unit Value of each investment option is computed by dividing the investment option's assets minus its liabilities by the number of outstanding units of such investment option. There are no distributions of interest, dividends, or net investment income or losses directly to account owners or beneficiaries. Interest, dividends, and net investment income (losses) resulting from the Underlying Funds are reflected as increases (decreases) in the Unit Value.

(j) Guarantees and Indemnifications

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



Michigan Education Savings Program

Direct-Sold Plan

(A Fiduciary Fund of the State of Michigan)

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

NOTE 3: INVESTMENTS

(a) Investments by Type

At September 30, 2024, the Direct Plan's investments consisted of the following:

	<u>Shares</u>	<u>Cost</u>	<u>Value</u>
Mutual Funds and ETFs (at fair value):			
Dreyfus Government Cash Management Institutional Fund	6,275,202	\$ 6,275,202	\$ 6,275,202
iShares® 0-5 Year TIPS Bond ETF	2,565,068	260,337,570	259,892,646
Nuveen Emerging Markets Equity Index Fund	15,937,639	171,125,618	190,454,783
Nuveen Equity Index Fund	72,899,784	1,743,628,865	2,959,731,266
Nuveen International Equity Index Fund	36,350,161	687,268,227	899,302,990
Schwab U.S. TIPS ETF™	875,267	49,999,889	46,940,568
Vanguard Emerging Markets Stock Index Fund	234,953	6,510,221	7,107,320
Vanguard Extended Market Index Fund	196,567	23,488,865	27,132,117
Vanguard Growth Index Fund	682,675	104,219,858	134,978,469
Vanguard High-Yield Corporate Fund	58,591,572	324,923,737	323,425,478
Vanguard Real Estate Index Fund	8,826,834	160,799,918	188,629,445
Vanguard Total Bond Market Index Fund	185,824,973	2,015,830,433	1,834,092,481
Vanguard Value Index Fund	504,632	28,651,577	34,380,562
Total Mutual Funds and ETFs		<u>5,583,059,980</u>	<u>6,912,343,327</u>
Funding Agreements (at cost):			
TIAA-CREF Life Funding Agreements	N/A	<u>1,569,612,843</u>	<u>1,569,612,843</u>
Total Investments		<u>\$ 7,152,672,823</u>	<u>\$ 8,481,956,170</u>

All investments and transactions in the Nuveen funds and funding agreements are related party transactions.

(b) Funding Agreements

Assets of certain investment options are invested in funding agreements issued by TIAA Life. While account owners may withdraw their funds from the investment options at any time, there are certain restrictions on the timing and amount of withdrawals that may be made from the funding agreements.

As policyholder, the State may withdraw interest quarterly, provided that notice of intent to withdraw is given not more than 10 days nor less than 5 days prior to the end of the quarter.



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3: INVESTMENTS (Continued)

(b) Funding Agreements (Continued)

The crediting rate on the funding agreements from October 1, 2023 through December 31, 2023 is 2.80%, and the crediting rate from January 1, 2024 through September 30, 2024 is 3.00%.

(c) Investment Risk

The mutual funds and ETFs in which the Direct Plan invests include various types of investment securities in their asset holdings, such as corporate debt and equity securities, obligations of the United States 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 the Direct Plan's Basic Financial Statements.

U.S. GAAP requires that certain disclosures be made related to the Direct Plan's investment policy and exposure to credit risk, interest rate risk, and foreign currency risk, which are included in the paragraphs that follow.

Investment Policy

The Direct Plan does not have specific investment policies that address credit, interest rate, foreign currency, or custodial credit risk. The Direct Plan's investment options are managed based on specific investment objectives and strategies, which are disclosed in the current Program Description and related supplements.

Custodial Credit Risk

Custodial credit risk represents the potential inability of a custodian to return the Direct Plan's investments in the event of a failure. Mutual funds and ETFs are not exposed to custodial credit risk.

Credit Risk

Credit risk refers to the ability of the issuer to make timely payments of interest and principal. Mutual funds and ETFs that invest primarily in fixed income securities indirectly expose the Direct Plan to credit risk. None of the mutual funds and ETFs in which the Direct Plan invests are rated as to credit quality by a nationally recognized statistical rating organization, except for the Dreyfus Government Cash Management Institutional Fund, which is rated AAAM by Standard & Poor's at September 30, 2024. The funding agreements are a guaranteed insurance product issued by TIAA Life. While the funding agreements themselves are not rated by a nationally recognized statistical rating organization, TIAA Life has a Standard & Poor's credit rating of AA+ at September 30, 2024.



Michigan Education Savings Program

Direct-Sold Plan

(A Fiduciary Fund of the State of Michigan)

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

NOTE 3: INVESTMENTS (Continued)

(c) Investment Risk (Continued)

Interest Rate Risk

Interest rate risk represents the risk that changes in interest rates will adversely affect the fair value of an investment. Mutual funds and ETFs that invest in fixed income securities indirectly expose the Direct Plan to interest rate risk.

As of September 30, 2024, the fair values and the weighted average maturities for the bond mutual funds and ETFs in which the Direct Plan invests are as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Dreyfus Government Cash Management Institutional Fund	\$ 6,275,202	22 days
iShares® 0-5 Year TIPS Bond ETF	\$ 259,892,646	2.5 years
Schwab U.S. TIPS ETF™	\$ 46,940,568	7.4 years
Vanguard High-Yield Corporate Fund	\$ 323,425,478	3.8 years
Vanguard Total Bond Market Index Fund	\$ 1,834,092,481	8.3 years

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Direct Plan does not have any direct investment in foreign securities; however, certain investment options invest in mutual funds that are exposed to foreign currency risk.

At September 30, 2024, the fair value of investments in mutual funds that invest significantly in foreign securities are as follows:

	<u>Fair Value</u>
Nuveen Emerging Markets Equity Index Fund	\$ 190,454,783
Nuveen International Equity Index Fund	\$ 899,302,990
Vanguard Emerging Markets Stock Index Fund	\$ 7,107,320



Michigan Education Savings Program
Direct-Sold Plan
 (A Fiduciary Fund of the State of Michigan)

NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4: SUBSCRIPTIONS, REDEMPTIONS, EXCHANGES AND TRANSFERS

Subscriptions and redemptions include contributions to the Direct Plan and withdrawals from the Direct Plan as directed by account owners, respectively, as well as exchanges between investment options and transfers between one beneficiary to another or from one account owner to another that result in a reinvestment of assets. Contributions and withdrawals on the Statement of Changes in Fiduciary Net Position do not include exchanges and transfers within the Direct Plan that result in reinvestment of assets; however, they are included in the supplementary information schedules on pages 26 through 30 of this annual report. Total subscriptions and redemptions during the year ended September 30, 2024 are as follows:

Contributions	\$ 737,865,189
Exchanges and transfers in	626,703,086
Total subscriptions	\$ 1,364,568,275
Withdrawals	\$ 756,401,232
Exchanges and transfers out	626,703,086
Total redemptions	\$ 1,383,104,318
Net Contributions	
Contributions	\$ 737,865,189
Withdrawals	(756,401,232)
Net withdrawals to account owners	\$ (18,536,043)

NOTE 5: FEES AND UNDERLYING FUND EXPENSES

The State Treasurer establishes the fee structure for the Direct Plan and reserves the right to change the fees and/or impose additional fees in the future. The following fees are applicable to the year ended September 30, 2024:

(a) Program Manager and State Administrative Fees

Each investment option (with the exception of the Principal Plus Interest Option, which is not charged a fee) pays to the Program Manager a fee equal to 0.02% of the average daily net position held in each respective investment option for performing duties specified in the management agreement.



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 5: FEES AND UNDERLYING FUND EXPENSES (Continued)

(a) Program Manager and State Administrative Fees (Continued)

Each investment option (with the exception of the Principal Plus Interest Option, which is not charged a fee) pays to the Department a fee equal to 0.025% of the average daily net position held in each respective investment option for expenses related to the administration of the Direct Plan.

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

(b) Underlying Fund Expenses

Expenses related to management of the Underlying Funds reduce the amount of income available for distribution to the Direct Plan in the form of dividends and capital gain distributions. These Underlying Fund expenses are not direct expenses paid from the Direct Plan's assets, and therefore, are not reflected in expenses on the Statement of Changes in Fiduciary Net Position.

Supplementary Information

The following supplementary information, which summarizes balances and transactions related to each investment option and the Matching Grant Program, is presented for purposes of additional analysis and is not a required part of the Basic Financial Statements of the Michigan Education Savings Program Direct-Sold Plan.



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

STATEMENTS OF FIDUCIARY NET POSITION
September 30, 2024

	Enrollment Year Investment Options				
	2040/2041 Enrollment Option	2038/2039 Enrollment Option	2036/2037 Enrollment Option	2034/2035 Enrollment Option	2032/2033 Enrollment Option
ASSETS					
Investments	\$ 59,885,342	\$ 188,935,036	\$ 349,315,879	\$ 391,361,163	\$ 484,243,830
Cash (cash overdraft)	389,806	260,326	394,400	299,735	355,975
Receivables from securities sold	-	-	-	-	-
Total Assets	<u>60,275,148</u>	<u>189,195,362</u>	<u>349,710,279</u>	<u>391,660,898</u>	<u>484,599,805</u>
LIABILITIES					
Accrued Program Manager fees	929	3,013	5,605	6,287	7,794
Accrued State administrative fees	1,162	3,766	7,006	7,858	9,743
Payables for securities purchased	383,257	305,262	282,402	241,925	306,117
Withdrawals payable	1,962	12,811	13,697	5,188	11,455
Total Liabilities	<u>387,310</u>	<u>324,852</u>	<u>308,710</u>	<u>261,258</u>	<u>335,109</u>
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES	<u>\$ 59,887,838</u>	<u>\$ 188,870,510</u>	<u>\$ 349,401,569</u>	<u>\$ 391,399,640</u>	<u>\$ 484,264,696</u>
UNITS OUTSTANDING ⁽¹⁾	<u>4,821,887</u>	<u>15,844,841</u>	<u>22,198,321</u>	<u>25,316,924</u>	<u>32,091,763</u>
NET ASSET VALUE PER UNIT ⁽²⁾	<u>\$ 12.42</u>	<u>\$ 11.92</u>	<u>\$ 15.74</u>	<u>\$ 15.46</u>	<u>\$ 15.09</u>

⁽¹⁾ Rounded to the nearest whole unit.

⁽²⁾ Rounded to the nearest hundredth.

(Continued)



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

STATEMENTS OF FIDUCIARY NET POSITION
September 30, 2024

	Enrollment Year Investment Options				
	2030/2031 Enrollment Option	2028/2029 Enrollment Option	2026/2027 Enrollment Option	2024/2025 Enrollment Option	In School Option
ASSETS					
Investments	\$ 569,823,250	\$ 648,046,964	\$ 730,521,749	\$ 800,687,913	\$ 1,228,665,696
Cash (cash overdraft)	257,967	223,047	(135,439)	266,314	(10,500)
Receivables from securities sold	-	-	-	59,887	1,236,456
Total Assets	<u>570,081,217</u>	<u>648,270,011</u>	<u>730,386,310</u>	<u>801,014,114</u>	<u>1,229,891,652</u>
LIABILITIES					
Accrued Program Manager fees	9,194	10,501	11,864	13,066	20,215
Accrued State administrative fees	11,492	13,126	14,830	16,332	25,268
Payables for securities purchased	160,639	250,435	66,951	-	-
Withdrawals payable	13,154	17,490	24,598	201,549	1,439,997
Total Liabilities	<u>194,479</u>	<u>291,552</u>	<u>118,243</u>	<u>230,947</u>	<u>1,485,480</u>
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES	<u>\$ 569,886,738</u>	<u>\$ 647,978,459</u>	<u>\$ 730,268,067</u>	<u>\$ 800,783,167</u>	<u>\$ 1,228,406,172</u>
UNITS OUTSTANDING ⁽¹⁾	<u>39,060,092</u>	<u>46,920,960</u>	<u>56,434,936</u>	<u>64,840,742</u>	<u>106,910,894</u>
NET ASSET VALUE PER UNIT ⁽²⁾	<u>\$ 14.59</u>	<u>\$ 13.81</u>	<u>\$ 12.94</u>	<u>\$ 12.35</u>	<u>\$ 11.49</u>

⁽¹⁾ Rounded to the nearest whole unit.

⁽²⁾ Rounded to the nearest hundredth.

(Continued)



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

STATEMENTS OF FIDUCIARY NET POSITION
September 30, 2024

	Multi-Fund Investment Options					
	Aggressive Allocation Option	Moderate Allocation Option	Conservative Allocation Option	International Equity Index Option	Global Equity Index Option	100% Fixed- Income Option
ASSETS						
Investments	\$ 262,762,192	\$ 361,171,056	\$ 44,542,566	\$ 59,716,228	\$ 830,506,004	\$ 79,006,196
Cash (cash overdraft)	820,473	254,162	(62,842)	51,225	(492,298)	176,230
Receivables from securities sold	-	-	91,349	-	877,917	-
Total Assets	<u>263,582,665</u>	<u>361,425,218</u>	<u>44,571,073</u>	<u>59,767,453</u>	<u>830,891,623</u>	<u>79,182,426</u>
LIABILITIES						
Accrued Program Manager fees	4,202	5,820	723	953	13,345	1,286
Accrued State administrative fees	5,252	7,276	904	1,191	16,681	1,607
Payables for securities purchased	720,896	125,707	-	12,659	-	127,688
Withdrawals payable	53,398	91,185	21,107	41,842	317,213	47,232
Total Liabilities	<u>783,748</u>	<u>229,988</u>	<u>22,734</u>	<u>56,645</u>	<u>347,239</u>	<u>177,813</u>
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES	<u>\$ 262,798,917</u>	<u>\$ 361,195,230</u>	<u>\$ 44,548,339</u>	<u>\$ 59,710,808</u>	<u>\$ 830,544,384</u>	<u>\$ 79,004,613</u>
UNITS OUTSTANDING ⁽¹⁾	<u>16,507,470</u>	<u>10,882,652</u>	<u>3,630,671</u>	<u>2,777,247</u>	<u>15,962,798</u>	<u>4,374,563</u>
NET ASSET VALUE PER UNIT ⁽²⁾	<u>\$ 15.92</u>	<u>\$ 33.19</u>	<u>\$ 12.27</u>	<u>\$ 21.50</u>	<u>\$ 52.03</u>	<u>\$ 18.06</u>

⁽¹⁾ Rounded to the nearest whole unit.

⁽²⁾ Rounded to the nearest hundredth.

(Continued)



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

STATEMENTS OF FIDUCIARY NET POSITION
September 30, 2024

	Single Fund Investment Option				
	U.S. Equity Index Option	Large Cap Growth Equity Index Option	Large Cap Value Equity Index Option	Small/Mid Cap Equity Index Option	Emerging Markets Equity Index Option
ASSETS					
Investments	\$ 818,291,031	\$ 134,978,466	\$ 34,380,562	\$ 27,132,118	\$ 7,107,320
Cash (cash overdraft)	56,690	617,621	205,713	81,519	51,626
Receivables from securities sold	112,084	-	-	-	-
Total Assets	<u>818,459,805</u>	<u>135,596,087</u>	<u>34,586,275</u>	<u>27,213,637</u>	<u>7,158,946</u>
LIABILITIES					
Accrued Program Manager fees	13,078	2,137	547	430	109
Accrued State administrative fees	16,347	2,671	683	538	136
Payables for securities purchased	-	576,385	193,184	63,438	51,301
Withdrawals payable	157,161	32,805	1,375	7,141	3,230
Total Liabilities	<u>186,586</u>	<u>613,998</u>	<u>195,789</u>	<u>71,547</u>	<u>54,776</u>
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES	<u>\$ 818,273,219</u>	<u>\$ 134,982,089</u>	<u>\$ 34,390,486</u>	<u>\$ 27,142,090</u>	<u>\$ 7,104,170</u>
UNITS OUTSTANDING ⁽¹⁾	<u>16,342,585</u>	<u>9,406,417</u>	<u>2,621,226</u>	<u>2,232,080</u>	<u>659,626</u>
NET ASSET VALUE PER UNIT ⁽²⁾	<u>\$ 50.07</u>	<u>\$ 14.35</u>	<u>\$ 13.12</u>	<u>\$ 12.16</u>	<u>\$ 10.77</u>

⁽¹⁾ Rounded to the nearest whole unit.

⁽²⁾ Rounded to the nearest hundredth.

(Continued)



Michigan Education Savings Program
Direct-Sold Plan
 (A Fiduciary Fund of the State of Michigan)

STATEMENTS OF FIDUCIARY NET POSITION
September 30, 2024

	Guaranteed		
	<u>Investment Option</u>		
	<u>Principal Plus</u>		
	<u>Interest Option</u>	<u>Matching Grant</u>	<u>Plan Total</u>
ASSETS			
Investments	\$ 364,229,703	\$ 6,645,906	\$ 8,481,956,170
Cash (cash overdraft)	286,233	5,388	4,353,371
Receivables from securities sold	6,068	941	2,384,702
Total Assets	<u>364,522,004</u>	<u>6,652,235</u>	<u>8,488,694,243</u>
LIABILITIES			
Accrued Program Manager fees	-	109	131,207
Accrued State administrative fees	-	136	164,005
Payables for securities purchased	-	-	3,868,246
Withdrawals payable	292,785	5,093	2,813,468
Total Liabilities	<u>292,785</u>	<u>5,338</u>	<u>6,976,926</u>
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS			
AND BENEFICIARIES	<u>\$ 364,229,219</u>	<u>\$ 6,646,897</u>	<u>\$ 8,481,717,317</u>
UNITS OUTSTANDING ⁽¹⁾	<u>19,709,373</u>	<u>310,748</u>	
NET ASSET VALUE PER UNIT ⁽²⁾	<u>\$ 18.48</u>	<u>\$ 21.39</u>	

⁽¹⁾ Rounded to the nearest whole unit.

⁽²⁾ Rounded to the nearest hundredth.



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
September 30, 2024

	Enrollment Year Investment Options				
	2040/2041	2038/2039	2036/2037	2034/2035	2032/2033
	Enrollment Option	Enrollment Option	Enrollment Option	Enrollment Option	Enrollment Option
ADDITIONS					
Subscriptions	\$ 47,946,587	\$ 55,755,908	\$ 62,048,625	\$ 58,424,805	\$ 57,733,107
Net investment income	7,371,871	35,504,197	68,334,397	75,770,118	91,996,677
Total Additions	<u>55,318,458</u>	<u>91,260,105</u>	<u>130,383,022</u>	<u>134,194,923</u>	<u>149,729,784</u>
DEDUCTIONS					
Redemptions	<u>1,991,996</u>	<u>7,731,645</u>	<u>13,115,387</u>	<u>15,239,104</u>	<u>17,173,236</u>
Expenses:					
Program Manager fees	6,300	29,685	58,422	66,557	83,823
State administrative fees	<u>7,875</u>	<u>37,105</u>	<u>73,028</u>	<u>83,196</u>	<u>104,779</u>
Total expenses	<u>14,175</u>	<u>66,790</u>	<u>131,450</u>	<u>149,753</u>	<u>188,602</u>
Total Deductions	<u>2,006,171</u>	<u>7,798,435</u>	<u>13,246,837</u>	<u>15,388,857</u>	<u>17,361,838</u>
NET INCREASE (DECREASE)	53,312,287	83,461,670	117,136,185	118,806,066	132,367,946
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR	<u>6,575,551</u>	<u>105,408,840</u>	<u>232,265,384</u>	<u>272,593,574</u>	<u>351,896,750</u>
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR	<u>\$ 59,887,838</u>	<u>\$ 188,870,510</u>	<u>\$ 349,401,569</u>	<u>\$ 391,399,640</u>	<u>\$ 484,264,696</u>

(Continued)



Michigan Education Savings Program
Direct-Sold Plan
 (A Fiduciary Fund of the State of Michigan)

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Year Ended September 30, 2024

	<u>Enrollment Year Investment Options</u>				
	<u>2030/2031</u>	<u>2028/2029</u>	<u>2026/2027</u>	<u>2024/2025</u>	<u>In School Option</u>
	<u>Enrollment Option</u>	<u>Enrollment Option</u>	<u>Enrollment Option</u>	<u>Enrollment Option</u>	<u>In School Option</u>
ADDITIONS					
Subscriptions	\$ 65,042,430	\$ 68,799,310	\$ 77,707,538	\$ 79,527,649	\$ 149,157,961
Net investment income	101,921,191	103,230,743	96,142,816	85,554,046	127,175,416
Total Additions	<u>166,963,621</u>	<u>172,030,053</u>	<u>173,850,354</u>	<u>165,081,695</u>	<u>276,333,377</u>
DEDUCTIONS					
Redemptions	<u>22,797,404</u>	<u>29,775,853</u>	<u>42,163,192</u>	<u>84,679,141</u>	<u>528,722,325</u>
Expenses:					
Program Manager fees	99,869	115,836	133,779	154,650	274,894
State administrative fees	124,835	144,795	167,224	193,313	343,618
Total expenses	<u>224,704</u>	<u>260,631</u>	<u>301,003</u>	<u>347,963</u>	<u>618,512</u>
Total Deductions	<u>23,022,108</u>	<u>30,036,484</u>	<u>42,464,195</u>	<u>85,027,104</u>	<u>529,340,837</u>
NET INCREASE (DECREASE)	143,941,513	141,993,569	131,386,159	80,054,591	(253,007,460)
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR	<u>425,945,225</u>	<u>505,984,890</u>	<u>598,881,908</u>	<u>720,728,576</u>	<u>1,481,413,632</u>
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR	<u>\$ 569,886,738</u>	<u>\$ 647,978,459</u>	<u>\$ 730,268,067</u>	<u>\$ 800,783,167</u>	<u>\$ 1,228,406,172</u>

(Continued)



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Year Ended September 30, 2024

	Multi-Fund Investment Options					
	Aggressive Allocation Option	Moderate Allocation Option	Conservative Allocation Option	International Equity Index Option	Global Equity Index Option	100% Fixed- Income Option
ADDITIONS						
Subscriptions	\$ 72,662,213	\$ 63,366,726	\$ 15,657,615	\$ 12,145,409	\$ 75,799,573	\$ 25,477,174
Net investment income	53,489,665	69,538,263	5,826,085	12,299,615	213,946,818	7,963,613
Total Additions	<u>126,151,878</u>	<u>132,904,989</u>	<u>21,483,700</u>	<u>24,445,024</u>	<u>289,746,391</u>	<u>33,440,787</u>
DEDUCTIONS						
Redemptions	39,829,227	64,913,651	13,932,661	13,946,101	161,127,164	24,622,092
Expenses:						
Program Manager fees	44,183	66,058	8,108	11,016	154,511	14,946
State administrative fees	55,228	82,574	10,134	13,768	193,138	18,683
Total expenses	99,411	148,632	18,242	24,784	347,649	33,629
Total Deductions	<u>39,928,638</u>	<u>65,062,283</u>	<u>13,950,903</u>	<u>13,970,885</u>	<u>161,474,813</u>	<u>24,655,721</u>
NET INCREASE (DECREASE)	86,223,240	67,842,706	7,532,797	10,474,139	128,271,578	8,785,066
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR	<u>176,575,677</u>	<u>293,352,524</u>	<u>37,015,542</u>	<u>49,236,669</u>	<u>702,272,806</u>	<u>70,219,547</u>
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR	<u>\$ 262,798,917</u>	<u>\$ 361,195,230</u>	<u>\$ 44,548,339</u>	<u>\$ 59,710,808</u>	<u>\$ 830,544,384</u>	<u>\$ 79,004,613</u>

(Continued)



Michigan Education Savings Program
Direct-Sold Plan
(A Fiduciary Fund of the State of Michigan)

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Year Ended September 30, 2024

	Single Fund Investment Option				
	U.S. Equity Index Option	Large Cap Growth Equity Index Option	Large Cap Value Equity Index Option	Small/Mid Cap Equity Index Option	Emerging Markets Equity Index Option
ADDITIONS					
Subscriptions	\$ 149,875,374	\$ 81,784,101	\$ 18,687,077	\$ 17,476,753	\$ 4,000,470
Net investment income	210,378,889	29,007,206	6,810,659	4,792,010	1,217,130
Total Additions	<u>360,254,263</u>	<u>110,791,307</u>	<u>25,497,736</u>	<u>22,268,763</u>	<u>5,217,600</u>
DEDUCTIONS					
Redemptions	122,691,314	18,422,242	10,397,665	7,762,702	1,364,379
Expenses:					
Program Manager fees	142,153	18,571	5,238	4,075	996
State administrative fees	177,690	23,214	6,548	5,093	1,244
Total expenses	<u>319,843</u>	<u>41,785</u>	<u>11,786</u>	<u>9,168</u>	<u>2,240</u>
Total Deductions	<u>123,011,157</u>	<u>18,464,027</u>	<u>10,409,451</u>	<u>7,771,870</u>	<u>1,366,619</u>
NET INCREASE (DECREASE)	237,243,106	92,327,280	15,088,285	14,496,893	3,850,981
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR	<u>581,030,113</u>	<u>42,654,809</u>	<u>19,302,201</u>	<u>12,645,197</u>	<u>3,253,189</u>
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR	<u>\$ 818,273,219</u>	<u>\$ 134,982,089</u>	<u>\$ 34,390,486</u>	<u>\$ 27,142,090</u>	<u>\$ 7,104,170</u>

(Continued)



Michigan Education Savings Program

Direct-Sold Plan

(A Fiduciary Fund of the State of Michigan)

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Year Ended September 30, 2024**

	Guaranteed Investment Option		
	Principal Plus Interest Option	Matching Grant	Plan Total
ADDITIONS			
Subscriptions	\$ 105,466,205	\$ 25,665	\$ 1,364,568,275
Net investment income	10,967,578	714,668	1,419,953,671
Total Additions	<u>116,433,783</u>	<u>740,333</u>	<u>2,784,521,946</u>
DEDUCTIONS			
Redemptions	140,116,830	589,007	1,383,104,318
Expenses:			
Program Manager fees	-	1,315	1,494,985
State administrative fees	-	1,644	1,868,726
Total expenses	<u>-</u>	<u>2,959</u>	<u>3,363,711</u>
Total Deductions	<u>140,116,830</u>	<u>591,966</u>	<u>1,386,468,029</u>
NET INCREASE (DECREASE)	(23,683,047)	148,367	1,398,053,917
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, BEGINNING OF YEAR	<u>387,912,266</u>	<u>6,498,530</u>	<u>7,083,663,400</u>
NET POSITION HELD IN TRUST FOR ACCOUNT OWNERS AND BENEFICIARIES, END OF YEAR	<u>\$ 364,229,219</u>	<u>\$ 6,646,897</u>	<u>\$ 8,481,717,317</u>

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*

Ms. Rachael Eubanks, Trustee, Michigan Education Savings Program,
Michigan Department of Treasury
Mr. Doug A. Ringler, CPA, CIA, Auditor General, State of Michigan
Lansing, MI

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 the Direct-Sold Plan, a component of the Michigan Education Savings Program, a fiduciary fund of the State of Michigan, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Direct-Sold Plan's basic financial statements, and have issued our report thereon dated December 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Direct-Sold Plan'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 Direct-Sold Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Direct-Sold Plan's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Direct-Sold Plan'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*.

Purpose of this Report

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

Andrews Hooper Pavlik PLC

Okemos, Michigan
December 17, 2024