

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

Financial Statements
Including
Supplemental Information

June 30, 2003



CONNECTICUT
HIGHER EDUCATION TRUST
COLLEGE SAVINGS PROGRAM

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

INDEX June 30, 2003

	<u>Page</u>
Report of Independent Auditors	2
Audited Financial Statements:	
Statements of Financial Condition	3
Statements of Operations	4
Statements of Changes in Program Equity	5
Notes to Financial Statements	6
 SUPPLEMENTAL INFORMATION	
Combining Statement of Assets and Liabilities	10
Combining Statement of Operations	12
Combining Statement of Changes in Net Assets	14
Financial Highlights	16

REPORT OF INDEPENDENT AUDITORS

To the Account Owners and Trustee of the
Connecticut Higher Education Trust Program:

We have audited the accompanying statements of financial condition of the Connecticut Higher Education Trust Program (the "Program") as of June 30, 2003 and 2002, and the related statements of operations and changes in program equity for the years then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 2003, by correspondence with the custodian and others. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Higher Education Trust Program at June 30, 2003 and 2002, and the results of its operations and its changes in program equity for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplemental Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

New York, New York
August 29, 2003

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
STATEMENTS OF FINANCIAL CONDITION

	<u>June 30,</u> <u>2003</u>	<u>June 30,</u> <u>2002</u>
ASSETS		
Investments, at value (cost: \$335,099,645 and \$223,592,360)	\$331,292,019	\$207,945,735
Cash	198,030	275,402
Due from transfer agent	448,467	372,341
Receivable for securities transactions	94,319	—
Dividends and interest receivable	468,455	421,839
TOTAL ASSETS	<u>\$332,501,290</u>	<u>\$209,015,317</u>
LIABILITIES		
Due to custodian	\$ 42,590	\$ 49,719
Accrued management fee	120,992	81,920
Payable for securities transactions	234,482	895,498
Payable for Program shares redeemed	89,673	18,996
TOTAL LIABILITIES	487,737	1,046,133
PROGRAM EQUITY	332,013,553	207,969,184
TOTAL LIABILITIES AND PROGRAM EQUITY	<u>\$332,501,290</u>	<u>\$209,015,317</u>

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
STATEMENTS OF OPERATIONS

	For the Years Ended June 30,	
	2003	2002
INVESTMENT INCOME		
Income:		
Interest	\$1,874,577	\$ 491,495
Dividends	6,037,981	4,579,109
TOTAL INCOME	7,912,558	5,070,604
Expenses—Note 3:		
Management fee	1,220,453	759,907
Other expenses of the Trust	15,249	50,951
TOTAL EXPENSES	1,235,702	810,858
INVESTMENT INCOME—NET	6,676,856	4,259,746
REALIZED AND UNREALIZED		
GAIN (LOSS) ON INVESTMENTS—Note 4		
Net realized loss on investments	(3,388,037)	(2,281,120)
Net change in unrealized appreciation (depreciation) on investments	11,838,999	(9,755,078)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	8,450,962	(12,036,198)
OTHER INCOME		
Penalty fees on non-qualified withdrawals	—	1,214
NET INCREASE (DECREASE) IN PROGRAM EQUITY RESULTING FROM OPERATIONS	\$15,127,818	\$ (7,775,238)

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
STATEMENTS OF CHANGES IN PROGRAM EQUITY

	For the Years Ended June 30,	
	2003	2002
FROM OPERATIONS		
Investment income—net	\$ 6,676,856	\$ 4,259,746
Net realized loss on investments	(3,388,037)	(2,281,120)
Net change in unrealized appreciation (depreciation) on investments	11,838,999	(9,755,078)
Penalty fees on non-qualified withdrawals	—	1,214
NET INCREASE (DECREASE) IN PROGRAM EQUITY RESULTING FROM OPERATIONS	15,127,818	(7,775,238)
FROM ACCOUNT OWNER TRANSACTIONS		
Subscriptions	117,622,540	126,810,454
Redemptions	(8,705,989)	(4,997,734)
NET INCREASE IN PROGRAM EQUITY RESULTING FROM ACCOUNT OWNER TRANSACTIONS	108,916,551	121,812,720
NET INCREASE IN PROGRAM EQUITY	124,044,369	114,037,482
PROGRAM EQUITY:		
Beginning of year	207,969,184	93,931,702
End of year	\$332,013,553	\$207,969,184

See notes to financial statements

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
NOTES TO FINANCIAL STATEMENTS

NOTE 1—ORGANIZATION

The Connecticut Higher Education Trust Program (the "Program") was formed on July 1, 1997 by Connecticut law, to help people save for the costs of education after high school. The Program is administered by the Treasurer of the State of Connecticut, as trustee of the Connecticut Higher Education Trust (the "Trust"). The Trustee has the authority to enter into contracts for program management services, adopt regulations for the administration of the Program and establish investment policies for the Program. TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly-owned subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Trustee have entered into a Management Agreement under which TFI serves as Program Manager. The Program is operated in a manner such that it is exempt from registration as an investment company under the Investment Company Act of 1940.

An individual participating in the Program establishes an Account in the name of a Beneficiary. Contributions can be made among three investment options: the Managed Allocation Option, the High Equity Option, and the Principal Plus Interest Option. Contributions in the Managed Allocation Option are allocated among eleven age bands, based on the age of the beneficiary. Each age band invests in varying percentages in the institutional class of the International Equity, Equity Index, Bond and Money Market Funds of the TIAA-CREF Institutional Mutual Funds. The High Equity Option invests in varying percentages in the institutional class of the Growth & Income, International Equity and Bond Funds of the TIAA-CREF Institutional Mutual Funds. All allocation percentages are determined by the Treasurer and are subject to change. The Principal Plus Interest Option invests in a funding agreement issued by TIAA-CREF Life Insurance Company, a subsidiary of TIAA, which offers a guarantee to the Trust of principal and an annual minimum rate of return.

Teachers Advisors, Inc. ("Advisors"), an affiliate of TFI, is registered with the Securities and Exchange Commission ("Commission") as an investment adviser and provides investment advisory services to the TIAA-CREF Institutional Mutual Funds. Teachers Personal Investors Services, Inc. ("TPIS"), an affiliate of TFI, and TIAA-CREF Individual & Institutional Services, Inc. ("Services"), also an affiliate of TFI, both of which are registered with the Commission as broker-dealers and are members of the National Association of Securities Dealers, Inc., provide the telephone counseling, marketing and information services required of TFI.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements may require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and related disclosures. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Program, which are in conformity with accounting principles generally accepted in the United States.

Valuation of Investments: The market value of the investments in the mutual funds and the funding agreement are based on the respective net asset values as of the close of business on the valuation date.

Accounting for Investments: Securities transactions are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded as earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses are based upon the specific identification method.

Penalty Fees: Through December 31, 2001, penalty fees on non-qualified withdrawals were retained by the Trust and were available for the payment or reimbursement of the direct and indirect expenses of the Trust. Effective January 1, 2002, the Trust no longer retains penalty fees on non-qualified withdrawals; however, the Account Owner may be subject to additional federal income taxes relating to any earnings on non-qualified withdrawals.

Federal Income Tax: No provision for federal income tax has been made. The Program is established to be a qualified state tuition program under Section 529 of the Internal Revenue Code, which is exempt from federal and state income tax, and does not expect to have any unrelated business income subject to tax.

NOTE 3—MANAGEMENT AGREEMENTS

For its services as Program Manager with respect to the Managed Allocation Option and the Higher Equity Option, TFI, and related entities, are paid an annual aggregate management fee of 0.57% of the average daily net assets of the Trust, so invested, excluding certain administrative funds, plus the specific fees for the underlying investments in the TIAA-CREF Institutional Mutual Funds, the total of which shall not exceed 0.79% of the average daily net assets of the Trust invested in such investment options excluding certain administrative funds. No fee is charged on assets in the Principal Plus Interest Option, however, an expense fee is paid to TFI by TIAA-CREF Life Insurance Company for distribution, administrative and other reasonable expenses. Total fees earned by TFI, and related entities, for the year ended June 30, 2003 were \$1,514,745, which includes

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
NOTES TO FINANCIAL STATEMENTS (concluded)

NOTE 3—MANAGEMENT AGREEMENTS (concluded)

\$1,220,453 due directly from the Program and \$294,292 due on Program investments in the TIAA-CREF Institutional Mutual Funds. Telephone counseling, marketing and information services required of TFI are provided by TPIS and Services in accordance with a Distribution Agreement among TFI, TPIS and Services.

During the year ended June 30, 2003, \$15,249 was withdrawn from the administrative account for reimbursement of expenses of the Trust.

NOTE 4—INVESTMENTS

At June 30, 2003, net unrealized depreciation of portfolio investments was \$3,807,626, consisting of gross unrealized appreciation of \$6,191,332 and gross unrealized depreciation of \$9,998,958. At June 30, 2002, net unrealized depreciation of portfolio investments was \$15,646,625, consisting of gross unrealized appreciation of \$1,494,842 and gross unrealized depreciation of \$17,141,467.

Purchases and sales of portfolio securities, for the year ended June 30, 2003 and 2002 were \$134,195,123 and \$19,299,801 and \$112,866,078 and \$10,218,345, respectively.

At June 30, 2003 and 2002, the Program's investments consist of the following:

	<u>2003</u>		<u>2002</u>	
	<u>COST</u>	<u>VALUE</u>	<u>COST</u>	<u>VALUE</u>
TIAA-CREF Institutional Mutual Funds (Institutional Class):				
International Equity Fund	\$ 25,999,375	\$ 23,697,206	\$ 18,565,951	\$ 15,996,810
Growth & Income Fund	35,171,054	33,072,008	21,682,478	18,924,051
Equity Index Fund	93,683,809	88,086,066	70,701,035	58,887,136
Bond Fund	99,111,074	105,302,406	72,903,522	74,398,364
Money Market Fund	17,165,092	17,165,092	15,315,357	15,315,357
TIAA-CREF Life Insurance Company:				
Funding Agreement	63,819,208	63,819,208	24,260,808	24,260,808
TIAA-CREF Mutual Funds:				
Money Market Fund*	150,033	150,033	163,209	163,209
	<u>\$335,099,645</u>	<u>\$331,292,019</u>	<u>\$223,592,360</u>	<u>\$207,945,735</u>

*Represents the assets of the administrative account.

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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 Connecticut Higher Education Trust Program ("Program"). It shows financial information relating to the Managed Allocation Option, the High Equity Option, and the Principal Plus Interest Option which are included in the Program. It excludes financial information pertaining to the administrative account.

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
COMBINING STATEMENT OF ASSETS AND LIABILITIES
June 30, 2003

	<u>2003-2002</u>	<u>2001-2000</u>	<u>1999-1998</u>	<u>1997-1996</u>	<u>1995-1994</u>
ASSETS					
Investments, at value:					
TIAA-CREF Institutional Mutual Funds (Institutional Class):					
International Equity Fund	\$ 431,173	\$ 1,927,695	\$ 2,180,646	\$ 2,383,590	\$ 2,569,855
Growth & Income Fund	—	—	—	—	—
Equity Index Fund	3,010,194	11,699,234	12,037,433	11,945,670	11,380,104
Bond Fund	857,034	5,900,994	7,651,164	9,512,537	11,300,737
Money Market Fund	—	—	—	—	—
TIAA-CREF Life Insurance Company:					
Funding Agreement	—	—	—	—	—
TOTAL INVESTMENTS	<u>4,298,401</u>	<u>19,527,923</u>	<u>21,869,243</u>	<u>23,841,797</u>	<u>25,250,696</u>
Cash	7,845	4,477	35,918	16,863	21,054
Receivable for securities transactions	—	—	—	—	—
Receivable for Program Series shares sold	46,727	129,170	52,524	52,407	57,953
Dividends and interest receivable	2,841	19,565	25,258	31,463	37,395
TOTAL ASSETS	<u>4,355,814</u>	<u>19,681,135</u>	<u>21,982,943</u>	<u>23,942,530</u>	<u>25,367,098</u>
LIABILITIES					
Due to custodian	—	—	—	—	—
Accrued management fee	1,892	8,829	9,909	10,794	11,448
Payable for securities transactions	6,428	7,993	33,341	23,212	22,326
Payable for Program shares redeemed	—	—	130	—	27,387
TOTAL LIABILITIES	<u>8,320</u>	<u>16,822</u>	<u>43,380</u>	<u>34,006</u>	<u>61,161</u>
NET ASSETS	<u>\$4,347,494</u>	<u>\$19,664,313</u>	<u>\$21,939,563</u>	<u>\$23,908,524</u>	<u>\$25,305,937</u>
SHARES OF BENEFICIAL INTEREST OUTSTANDING	<u>454,203</u>	<u>2,424,546</u>	<u>2,514,429</u>	<u>2,650,056</u>	<u>2,713,957</u>
NET ASSET VALUE PER SHARE	<u>\$9.57</u>	<u>\$8.11</u>	<u>\$8.73</u>	<u>\$9.02</u>	<u>\$9.32</u>

Year of Birth of Beneficiaries, as Provided by the Account Owners						High Equity	Principal Plus	
1993-1992	1991-1990	1989-1988	1987-1986	1985-1984	Pre-1984	Option	Interest Option	Total
\$ 2,784,690	\$ 3,305,200	\$ 1,554,347	\$ 1,159,660	\$ 486,126	\$ 177,122	\$ 4,737,102	\$ —	\$ 23,697,206
—	—	—	—	—	—	33,072,008	—	33,072,008
11,189,029	11,347,010	9,050,185	4,429,158	1,466,285	531,764	—	—	88,086,066
13,864,410	17,608,438	16,267,272	8,760,305	2,910,473	1,078,174	9,590,868	—	105,302,406
—	—	2,850,388	7,634,774	4,883,193	1,796,737	—	—	17,165,092
—	—	—	—	—	—	—	63,819,208	63,819,208
27,838,129	32,260,648	29,722,192	21,983,897	9,746,077	3,583,797	47,399,978	63,819,208	331,141,986
2,330	1,216	13,937	—	12,715	—	81,675	—	198,030
—	—	—	45,369	—	—	—	48,950	94,319
4,047	25,941	21,478	3,593	450	27,487	26,690	—	448,467
45,964	58,369	56,562	36,136	14,169	5,266	135,467	—	468,455
27,890,470	32,346,174	29,814,169	22,068,995	9,773,411	3,616,550	47,643,810	63,868,158	332,351,257
—	—	—	42,018	—	572	—	—	42,590
12,613	14,611	13,495	9,982	4,407	1,641	21,371	—	120,992
1,475	4,022	3,124	—	144	392	132,025	—	234,482
—	—	201	—	9,500	3,248	257	48,950	89,673
14,088	18,633	16,820	52,000	14,051	5,853	153,653	48,950	487,737
\$27,876,382	\$32,327,541	\$29,797,349	\$22,016,995	\$9,759,360	\$3,610,697	\$47,490,157	\$63,819,208	\$331,863,520
2,900,808	3,261,228	2,927,945	2,039,893	913,756	337,011	5,304,653	5,749,553	
\$9.61	\$9.91	\$10.18	\$10.79	\$10.68	\$10.71	\$8.95	\$11.10	

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
COMBINING STATEMENT OF OPERATIONS
For the Year Ended June 30, 2003

	<u>2003-2002</u>	<u>2001-2000</u>	<u>1999-1998</u>	<u>1997-1996</u>	<u>1995-1994</u>
INVESTMENT INCOME					
Income:					
Interest	\$ 110	\$ 171	\$ 87	\$ 77	\$ 82
Dividends	<u>37,300</u>	<u>331,947</u>	<u>438,952</u>	<u>525,702</u>	<u>585,290</u>
TOTAL INCOME	<u>37,410</u>	<u>332,118</u>	<u>439,039</u>	<u>525,779</u>	<u>585,372</u>
Expenses:					
Management fee	<u>11,883</u>	<u>81,748</u>	<u>99,052</u>	<u>109,937</u>	<u>114,378</u>
INVESTMENT INCOME — NET	<u>25,527</u>	<u>250,370</u>	<u>339,987</u>	<u>415,842</u>	<u>470,994</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS					
Net realized loss on investments	(13,115)	(159,383)	(429,116)	(341,083)	(188,656)
Net change in unrealized appreciation on investments ...	<u>301,385</u>	<u>902,634</u>	<u>1,158,930</u>	<u>1,156,850</u>	<u>1,104,470</u>
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	<u>288,270</u>	<u>743,251</u>	<u>729,814</u>	<u>815,767</u>	<u>915,814</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$313,797</u>	<u>\$ 993,621</u>	<u>\$1,069,801</u>	<u>\$1,231,609</u>	<u>\$1,386,808</u>

Year of Birth of Beneficiaries, as Provided by the Account Owners						High Equity Option	Principal Plus Interest Option	Total
1993-1992	1991-1990	1989-1988	1987-1986	1985-1984	Pre-1984			
\$ 51	\$ 69	\$ 81	\$ 44	\$ 16	\$ 12	\$ 220	\$1,873,557	\$1,874,577
<u>700,018</u>	<u>888,588</u>	<u>840,786</u>	<u>551,613</u>	<u>237,685</u>	<u>92,485</u>	<u>805,542</u>	<u>—</u>	<u>6,035,908</u>
700,069	888,657	840,867	551,657	237,701	92,497	805,762	1,873,557	7,910,485
126,726	150,316	142,025	109,838	53,849	21,082	199,619	—	1,220,453
<u>573,343</u>	<u>738,341</u>	<u>698,842</u>	<u>441,819</u>	<u>183,852</u>	<u>71,415</u>	<u>606,143</u>	<u>1,873,557</u>	<u>6,690,032</u>
(278,948)	(537,760)	(367,062)	(426,249)	(285,103)	(201,851)	(159,711)	—	(3,388,037)
<u>1,295,283</u>	<u>1,717,869</u>	<u>1,439,780</u>	<u>988,613</u>	<u>441,010</u>	<u>249,776</u>	<u>1,082,399</u>	<u>—</u>	<u>11,838,999</u>
1,016,335	1,180,109	1,072,718	562,364	155,907	47,925	922,688	—	8,450,962
<u>\$1,589,678</u>	<u>\$1,918,450</u>	<u>\$1,771,560</u>	<u>\$1,004,183</u>	<u>\$ 339,759</u>	<u>\$ 119,340</u>	<u>\$1,528,831</u>	<u>\$1,873,557</u>	<u>\$15,140,994</u>

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
COMBINING STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended June 30, 2003

	<u>2003-2002</u>	<u>2001-2000</u>	<u>1999-1998</u>	<u>1997-1996</u>	<u>1995-1994</u>
FROM OPERATIONS					
Investment income—net	\$ 25,527	\$ 250,370	\$ 339,987	\$ 415,842	\$ 470,994
Net realized loss on investments	(13,115)	(159,383)	(429,116)	(341,083)	(188,656)
Net change in unrealized appreciation on investments . . .	<u>301,385</u>	<u>902,634</u>	<u>1,158,930</u>	<u>1,156,850</u>	<u>1,104,470</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>313,797</u>	<u>993,621</u>	<u>1,069,801</u>	<u>1,231,609</u>	<u>1,386,808</u>
FROM ACCOUNT OWNER TRANSACTIONS					
Subscriptions	3,365,820	7,606,604	6,934,928	6,630,126	7,301,007
Exchanges	89,976	(261,045)	(649,508)	(691,319)	(578,220)
Redemptions	<u>(7,356)</u>	<u>(93,990)</u>	<u>(212,011)</u>	<u>(282,488)</u>	<u>(158,846)</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM ACCOUNT OWNER TRANSACTIONS	<u>3,448,440</u>	<u>7,251,569</u>	<u>6,073,409</u>	<u>5,656,319</u>	<u>6,563,941</u>
NET INCREASE (DECREASE) IN NET ASSETS	<u>3,762,237</u>	<u>8,245,190</u>	<u>7,143,210</u>	<u>6,887,928</u>	<u>7,950,749</u>
NET ASSETS:					
Beginning of year	585,257	11,419,123	14,796,353	17,020,596	17,355,188
End of year	<u>\$4,347,494</u>	<u>\$19,664,313</u>	<u>\$21,939,563</u>	<u>\$23,908,524</u>	<u>\$25,305,937</u>

Year of Birth of Beneficiaries, as Provided by the Account Owners						High Equity	Principal Plus	
1993-1992	1991-1990	1989-1988	1987-1986	1985-1984	Pre-1984	Option	Interest Option	Total
\$ 573,343	\$ 738,341	\$ 698,842	\$ 441,819	\$ 183,852	\$ 71,415	\$ 606,143	\$ 1,873,557	\$ 6,690,032
(278,948)	(537,760)	(367,062)	(426,249)	(285,103)	(201,851)	(159,711)	—	(3,388,037)
<u>1,295,283</u>	<u>1,717,869</u>	<u>1,439,780</u>	<u>988,613</u>	<u>441,010</u>	<u>249,776</u>	<u>1,082,399</u>	<u>—</u>	<u>11,838,999</u>
<u>1,589,678</u>	<u>1,918,450</u>	<u>1,771,560</u>	<u>1,004,183</u>	<u>339,759</u>	<u>119,340</u>	<u>1,528,831</u>	<u>1,873,557</u>	<u>15,140,994</u>
7,904,998	8,634,385	6,974,368	5,046,494	2,099,058	848,192	19,555,089	34,721,471	117,622,540
(484,916)	(819,937)	(706,735)	(1,340,173)	(1,312,779)	(244,644)	(105,220)	7,104,520	—
<u>(193,535)</u>	<u>(166,551)</u>	<u>(133,820)</u>	<u>(70,515)</u>	<u>(1,167,427)</u>	<u>(1,430,562)</u>	<u>(647,740)</u>	<u>(4,141,148)</u>	<u>(8,705,989)</u>
<u>7,226,547</u>	<u>7,647,897</u>	<u>6,133,813</u>	<u>3,635,806</u>	<u>(381,148)</u>	<u>(827,014)</u>	<u>18,802,129</u>	<u>37,684,843</u>	<u>108,916,551</u>
<u>8,816,225</u>	<u>9,566,347</u>	<u>7,905,373</u>	<u>4,639,989</u>	<u>(41,389)</u>	<u>(707,674)</u>	<u>20,330,960</u>	<u>39,558,400</u>	<u>124,057,545</u>
<u>19,060,157</u>	<u>22,761,194</u>	<u>21,891,976</u>	<u>17,377,006</u>	<u>9,800,749</u>	<u>4,318,371</u>	<u>27,159,197</u>	<u>24,260,808</u>	<u>207,805,975</u>
<u>\$27,876,382</u>	<u>\$32,327,541</u>	<u>\$29,797,349</u>	<u>\$22,016,995</u>	<u>\$ 9,759,360</u>	<u>\$3,610,697</u>	<u>\$47,490,157</u>	<u>\$63,819,208</u>	<u>\$331,863,520</u>

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

FINANCIAL HIGHLIGHTS

	2003-2002		2001-2000			
	Year Ended June 30, 2003	January 2, 2002 (commencement of operations) to June 30, 2002 (a)	Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)
SELECTED PER SHARE DATA						
Net asset value, beginning of period	\$9.34	\$10.00	\$7.86	\$8.72	\$9.80	\$10.00
Gain (loss) from investment operations:						
Net investment income	0.11 (b)	0.04 (b)	0.13 (b)	0.15 (b)	0.21 (b)	0.01
Net realized and unrealized gain (loss) on investments	<u>0.12</u>	<u>(0.70)</u>	<u>0.12</u>	<u>(1.01)</u>	<u>(1.29)</u>	<u>(0.21)</u>
Net asset value, end of period	<u>\$9.57</u>	<u>\$9.34</u>	<u>\$8.11</u>	<u>\$7.86</u>	<u>\$8.72</u>	<u>\$9.80</u>
TOTAL RETURN	<u>2.46%</u>	<u>(6.60)%</u>	<u>3.18%</u>	<u>(9.86)%</u>	<u>(11.02)%</u>	<u>(2.00)%</u>
RATIOS AND SUPPLEMENTAL DATA						
Net assets at end of period (in thousands)	\$4,347	\$585	\$19,664	\$11,419	\$3,072	\$217
Ratio of expenses to average net assets (c)	0.57%	0.28%	0.57%	0.57%	0.57%	0.19%
Ratio of net investment income to average net assets	1.22%	0.41%	1.74%	1.77%	2.47%	0.34%

(a) The percentages shown for this period are not annualized.

(b) Based on average shares outstanding.

(c) Does not include expenses on Program investments in the TIAA-CREF Institutional Mutual Funds.

Year of Birth of Beneficiaries, as Provided by the Account Owners

1999-1998				1997-1996			
Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)
\$8.41	\$9.19	\$10.08	\$10.00	\$8.64	\$9.31	\$10.07	\$10.00
0.16 (b)	0.19 (b)	0.30 (b)	0.04	0.18 (b)	0.23 (b)	0.33 (b)	0.05
<u>0.16</u>	<u>(0.97)</u>	<u>(1.19)</u>	<u>0.04</u>	<u>0.20</u>	<u>(0.90)</u>	<u>(1.09)</u>	<u>0.02</u>
<u>\$8.73</u>	<u>\$8.41</u>	<u>\$9.19</u>	<u>\$10.08</u>	<u>\$9.02</u>	<u>\$8.64</u>	<u>\$9.31</u>	<u>\$10.07</u>
<u>3.80%</u>	<u>(8.49)%</u>	<u>(8.83)%</u>	<u>0.80%</u>	<u>4.40%</u>	<u>(7.20)%</u>	<u>(7.55)%</u>	<u>0.70%</u>
\$21,940	\$14,796	\$8,072	\$4,352	\$23,909	\$17,021	\$10,025	\$6,367
0.57%	0.57%	0.57%	0.17%	0.57%	0.57%	0.57%	0.17%
1.95%	2.20%	3.27%	0.47%	2.15%	2.53%	3.56%	0.56%

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

FINANCIAL HIGHLIGHTS (continued)

	1995-1994				1993-1992			
	Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)
SELECTED PER SHARE DATA								
Net asset value, beginning of period	\$ 8.88	\$ 9.44	\$10.08	\$10.00	\$ 9.11	\$ 9.55	\$10.08	\$10.00
Gain (loss) from investment operations:								
Net investment income	0.20 (b)	0.26 (b)	0.36 (b)	0.06	0.23 (b)	0.29 (b)	0.39 (b)	0.07
Net realized and unrealized gain (loss) on investments	<u>0.24</u>	<u>(0.82)</u>	<u>(1.00)</u>	<u>0.02</u>	<u>0.27</u>	<u>(0.73)</u>	<u>(0.92)</u>	<u>0.01</u>
Net asset value, end of period	<u>\$ 9.32</u>	<u>\$ 8.88</u>	<u>\$ 9.44</u>	<u>\$10.08</u>	<u>\$ 9.61</u>	<u>\$ 9.11</u>	<u>\$ 9.55</u>	<u>\$10.08</u>
 TOTAL RETURN	 <u>4.95%</u>	 <u>(5.93)%</u>	 <u>(6.35)%</u>	 <u>0.80%</u>	 <u>5.49%</u>	 <u>(4.61)%</u>	 <u>(5.26)%</u>	 <u>0.80%</u>
RATIOS AND SUPPLEMENTAL DATA								
Net assets at end of period (in thousands)	\$25,306	\$17,355	\$10,275	\$6,382	\$27,876	\$19,060	\$11,131	\$6,996
Ratio of expenses to average net assets (c)	0.57%	0.57%	0.57%	0.17%	0.57%	0.57%	0.57%	0.17%
Ratio of net investment income to average net assets	2.34%	2.82%	3.89%	0.67%	2.58%	3.13%	4.12%	0.76%

(a) The percentages shown for this period are not annualized.

(b) Based on average shares outstanding.

(c) Does not include expenses on Program investments in the TIAA-CREF Institutional Mutual Funds.

Year of Birth of Beneficiaries, as Provided by the Account Owners

1991-1990				1989-1988			
Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)
\$ 9.35	\$ 9.69	\$10.08	\$10.00	\$ 9.57	\$ 9.81	\$10.09	\$10.00
0.26 (b)	0.33 (b)	0.42 (b)	0.08	0.27 (b)	0.35 (b)	0.45 (b)	0.09
<u>0.30</u>	<u>(0.67)</u>	<u>(0.81)</u>	<u>—</u>	<u>0.34</u>	<u>(0.59)</u>	<u>(0.73)</u>	<u>—</u>
<u>\$ 9.91</u>	<u>\$ 9.35</u>	<u>\$ 9.69</u>	<u>\$10.08</u>	<u>\$10.18</u>	<u>\$ 9.57</u>	<u>\$ 9.81</u>	<u>\$10.09</u>
<u>5.99%</u>	<u>(3.51)%</u>	<u>(3.87)%</u>	<u>0.80%</u>	<u>6.37%</u>	<u>(2.45)%</u>	<u>(2.78)%</u>	<u>0.90%</u>
\$32,328	\$22,761	\$13,098	\$8,162	\$29,797	\$21,892	\$13,041	\$8,423
0.57%	0.57%	0.57%	0.17%	0.57%	0.57%	0.57%	0.17%
2.80%	3.44%	4.42%	0.87%	2.80%	3.65%	4.70%	0.97%

CONNECTICUT HIGHER EDUCATION TRUST PROGRAM

FINANCIAL HIGHLIGHTS (concluded)

	Year of Birth of Beneficiaries, as Provided by the Account Owners							
	1987-1986				1985-1984			
	Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)
SELECTED PER SHARE DATA								
Net asset value, beginning of period	\$10.30	\$10.35	\$10.18	\$10.00	\$10.30	\$10.28	\$10.14	\$10.00
Gain (loss) from investment operations:								
Net investment income	0.24 (b)	0.36 (b)	0.50 (b)	0.12	0.20 (b)	0.31 (b)	0.50 (b)	0.12
Net realized and unrealized gain (loss) on investments	<u>0.25</u>	<u>(0.41)</u>	<u>(0.33)</u>	<u>0.06</u>	<u>0.18</u>	<u>(0.29)</u>	<u>(0.36)</u>	<u>0.02</u>
Net asset value, end of period	<u>\$10.79</u>	<u>\$10.30</u>	<u>\$10.35</u>	<u>\$10.18</u>	<u>\$10.68</u>	<u>\$10.30</u>	<u>\$10.28</u>	<u>\$10.14</u>
TOTAL RETURN	<u>4.76%</u>	<u>(0.48)%</u>	<u>1.67%</u>	<u>1.80%</u>	<u>3.69%</u>	<u>0.19%</u>	<u>1.38%</u>	<u>1.40%</u>
RATIOS AND SUPPLEMENTAL DATA								
Net assets at end of period (in thousands)	\$22,017	\$17,377	\$10,932	\$6,996	\$9,759	\$9,801	\$6,577	\$4,539
Ratio of expenses to average net assets (c)	0.57%	0.57%	0.57%	0.18%	0.57%	0.57%	0.57%	0.19%
Ratio of net investment income to average net assets	2.29%	3.51%	5.10%	1.27%	1.95%	3.00%	5.04%	1.30%

(a) The percentages shown for this period are not annualized.

(b) Based on average shares outstanding.

(c) Does not include expenses on Program investments in the TIAA-CREF Institutional Mutual Funds.

(d) In addition to net realized and unrealized losses on investments as set forth in the Statement of Operations, this amount includes an increase in net asset value per share resulting from the timing of issuances and redemptions of shares in relation to fluctuating market values for the portfolio investments.

(e) In addition to net realized and unrealized gains on investments as set forth in the Statement of Operations, this amount includes a decrease in net asset value per share resulting from the timing of issuances and redemptions of shares in relation to fluctuating market values for the portfolio investments.

Pre-1984				High Equity Option			Principal Plus Interest Option		
Year Ended June 30, 2003	Year Ended June 30, 2002	Year Ended June 30, 2001	March 13, 2000 (commencement of operations) to June 30, 2000 (a)	Year Ended June 30, 2003	Year Ended June 30, 2002	March 20, 2001 (commencement of operations) to June 30, 2001 (a)	Year Ended June 30, 2003	Year Ended June 30, 2002	March 20, 2001 (commencement of operations) to June 30, 2001 (a)
\$10.34	\$10.32	\$10.13	\$10.00	\$8.91	\$10.30	\$10.00	\$10.64	\$10.11	\$10.00
0.20 (b)	0.29 (b)	0.52 (b)	0.13	0.14 (b)	0.16 (b)	0.07 (b)	0.46	\$0.53	0.11
0.17	(0.27)	(0.33)	—	(0.10)(e)	(1.55)	0.23 (d)	—	—	—
<u>\$10.71</u>	<u>\$10.34</u>	<u>\$10.32</u>	<u>\$10.13</u>	<u>\$8.95</u>	<u>\$8.91</u>	<u>\$10.30</u>	<u>\$11.10</u>	<u>\$10.64</u>	<u>\$10.11</u>
<u>3.58%</u>	<u>0.19%</u>	<u>1.88%</u>	<u>1.30%</u>	<u>0.45%</u>	<u>(13.50)%</u>	<u>3.00%</u>	<u>4.32%</u>	<u>5.24%</u>	<u>1.10%</u>
\$3,611	\$4,318	\$4,493	\$4,196	\$47,490	\$27,159	\$2,212	\$63,819	\$24,261	\$794
0.57%	0.57%	0.57%	0.19%	0.57%	0.57%	0.16%	0.00%	0.00%	0.16%
1.93%	2.84%	5.08%	1.36%	1.73%	1.69%	0.67%	4.17%	5.04%	1.09%

Dear Account Owners:

Enclosed is summary financial information for the Connecticut Higher Education Trust Program (the "Program") for the fiscal year ended June 30, 2003. It includes information for the Managed Allocation Option, the High Equity Option, and the Principal Plus Interest Option. If you have any questions about this information, or if you would like a copy of the complete audited financial statements of the Program for fiscal year 2003, please call us at 1-888-799-CHET (2438).

**CONNECTICUT HIGHER EDUCATION TRUST PROGRAM
Summary Financial Information
For the Year Ended June 30, 2003**

	For the Fiscal Year Ended June 30, 2003												High Equity Option	Principal Plus Interest Option	Total	
	Year of Birth of Beneficiaries, as Provided by the Account Owners															
	2003 - 2002	2001 - 2000	1999 - 1998	1997 - 1996	1995 - 1994	1993 - 1992	1991 - 1990	1989 - 1988	1987 - 1986	1985 - 1984	Pre-1984					
CHANGES IN NET ASSETS:																
Investment income—net	\$ 25,527	\$ 250,370	\$ 339,987	\$ 415,842	\$ 470,994	\$ 573,343	\$ 738,341	\$ 698,842	\$ 441,819	\$ 183,852	\$ 71,415	\$ 606,143	\$ 1,873,557	\$ 6,690,032		
Net realized loss on investments	(13,115)	(159,383)	(429,116)	(341,083)	(188,656)	(278,948)	(537,760)	(367,062)	(426,249)	(285,103)	(201,851)	(159,711)	—	(3,388,037)		
Net change in unrealized appreciation on investments	301,385	902,634	1,158,930	1,156,850	1,104,470	1,295,283	1,717,869	1,439,780	988,613	441,010	249,776	1,082,399	—	11,838,999		
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	313,797	993,621	1,069,801	1,231,609	1,386,808	1,589,678	1,918,450	1,771,560	1,004,183	339,759	119,340	1,528,831	1,873,557	15,140,994		
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM ACCOUNT OWNER TRANSACTIONS	3,448,440	7,251,569	6,073,409	5,656,319	6,563,941	7,226,547	7,647,897	6,133,813	3,635,806	(381,148)	(827,014)	18,802,129	37,684,843	108,916,551		
NET INCREASE (DECREASE) IN NET ASSETS	3,762,237	8,245,190	7,143,210	6,887,928	7,950,749	8,816,225	9,566,347	7,905,373	4,639,989	(41,389)	(707,674)	20,330,960	39,558,400	124,057,545		
Beginning of year	585,257	11,419,123	14,796,353	17,020,596	17,355,188	19,060,157	22,761,194	21,891,976	17,377,006	9,800,749	4,318,371	27,159,197	24,260,808	207,805,975		
End of year	\$4,347,494	\$19,664,313	\$21,939,563	\$23,908,524	\$25,305,937	\$27,876,382	\$32,327,541	\$29,797,349	\$22,016,995	\$9,759,360	\$3,610,697	\$47,490,157	\$63,819,208	\$331,863,520		
TOTAL RETURN	2.46%	3.18%	3.80%	4.40%	4.95%	5.49%	5.99%	6.37%	4.76%	3.69%	3.58%	0.45%	4.32%			
2003 TARGET ALLOCATION GUIDELINES:																
TIAA-CREF Institutional Mutual Funds:																
Equity Index Fund	70%	60%	55%	50%	45%	40%	35%	30%	20%	15%	15%	0%	0%			
Growth & Income Fund	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%			
International Equity Fund	10%	10%	10%	10%	10%	10%	10%	5%	5%	5%	5%	10%	10%			
Bond Fund	20%	30%	35%	40%	45%	50%	55%	55%	40%	30%	30%	20%	20%			
Money Market Fund	0%	0%	0%	0%	0%	0%	0%	10%	35%	50%	50%	0%	0%			
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		

The total returns reflect past performance, are net of management fees and assume investment in the Program for the entire year. An individual account owner's return may be more or less than the amount shown depending on when the account owner made its investment(s) in CHET. The Allocation Guidelines for each Investment Option and for each Age Band in the Managed Allocation Option change periodically, which may substantially affect how an Investment Option or Age Band performs over time. Past performance is not, and should not be viewed as a guarantee of future results. Total returns and the principal value of investments in your Account can increase or decrease based on the investment performance of the underlying funds in which the assets are invested, so your investment may be worth more or less than the original value when you withdraw your money.

Connecticut Higher Education Trust Program is described in the current Program Disclosure Booklet and any Supplement to the Disclosure Booklet. Accounts are opened by completing a Participation Agreement. All of these documents should be read carefully before opening an account. The State of Connecticut, its agencies, TIAA-CREF Tuition Financing, Inc., Teachers Insurance and Annuity Association of America and its affiliates do not insure any account or guarantee its principal or investment return (except to the extent of the guarantee by TIAA-CREF Life Insurance Company to the Program Trust under the funding agreement for the Principal Plus Interest Option). Account values will fluctuate based upon a number of factors, including general financial market conditions. Federal, state, and local tax benefits are subject to certain limitations. You should consult your tax advisor. Investments are made through Teachers Personal Investors Services, Inc., as distributor. If you are not a Connecticut resident or have taxable income in another state, consider whether that other state offers a 529 plan with favorable state income tax or other benefits not available if you invest in the Program.

Due to market volatility, recent performance may differ from the figures shown. For the most current performance information, visit the Connecticut Higher Education Trust Program's web site at www.abouttchet.com.