

**Future Scholar  
529 College Savings Plan  
Direct Program**

Financial Statements  
June 30, 2014

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## **Management's Discussion and Analysis (unaudited)**

As investment manager of the Future Scholar 529 College Savings Plan Direct Program (the Program), Columbia Management Investment Advisers, LLC (Columbia) provides readers of the financial statements of the Program with this discussion and analysis of the Program's financial performance for the year ended June 30, 2014. You should consider the information presented in this section in conjunction with the Program's financial statements and notes to financial statements. The Program is comprised of 17 investment portfolios (the Portfolios) in which participants may invest.

### **Financial Highlights**

The Program had an inflow of \$49.7 million in net contributions from participants during the year ended June 30, 2014.

The Program had an increase of \$89.1 million from investment operations during the year.

### **Overview of the Financial Statements**

The Program's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Government*, as amended.

This report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements are composed of a Statement of Fiduciary Net Position and 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.

The Statement of Fiduciary Net Position presents information on the Program's assets and liabilities. The difference between assets and liabilities is the net position as of June 30, 2014. The Program's financial statements are prepared using the accrual basis of accounting. Contributions and redemptions are recognized on trade date; expenses and liabilities are recognized when services are provided, regardless of when cash is disbursed.

The Statement of Changes in Fiduciary Net Position presents information showing how the Program's net position changed during the year. Changes in net position are recorded 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 years.

The Notes to Financial Statements provide additional information that is integral to a full understanding of the data provided in the basic financial statements.

## Management's Discussion and Analysis, continued (unaudited)

### Financial Analysis

**Net Position.** The following is a condensed Statement of Fiduciary Net Position for the Portfolios as of June 30, 2014 and June 30, 2013.

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Investments	\$702,350,920	\$563,876,091
Cash, receivables and other assets	1,034,971	465,398
<b>Total Assets</b>	<b><u>\$703,385,891</u></b>	<b><u>\$564,341,489</u></b>
Payables	1,067,280	505,919
<b>Total Liabilities</b>	<b><u>\$ 1,067,280</u></b>	<b><u>\$ 505,919</u></b>
<b>Total Net Position</b>	<b><u>\$702,318,611</u></b>	<b><u>\$563,835,570</u></b>

Net position represent cumulative contributions from participants plus net changes from operations less redemptions and expenses.

The investments in the 17 Portfolios of the Program comprise 99.9% of total assets. Other assets consist of cash, receivables for securities sold, receivables for units sold and receivables for accrued income. Liabilities consist of payables for securities purchased, payable for units redeemed, payables for reinvestment of net investment income and other liabilities.

**Changes in Net Position.** The following is a condensed Statement of Changes in Fiduciary Net Position for the Portfolios for the year ended June 30, 2014 and the year ended June 30, 2013.

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Additions:		
Contributions	\$221,269,242	\$315,841,430
Net change in appreciation (depreciation) in value of investments	61,217,391	30,421,558
Net realized gain (loss)	11,292,846	13,232,375
Capital gains distributions from underlying fund shares	4,932,351	3,723,719
Dividend and interest income	11,633,020	9,743,544
<b>Total Additions</b>	<b><u>\$310,344,850</u></b>	<b><u>\$372,962,626</u></b>
Deductions:		
Withdrawals	171,520,625	268,795,942
Reinvestment of net investment income	341,184	387,936
Expenses	—	238,005
<b>Total Deductions</b>	<b><u>\$171,861,809</u></b>	<b><u>\$269,421,883</u></b>
<b>Change in Net Position</b>	<b><u>138,483,041</u></b>	<b><u>103,540,743</u></b>
Net Position, Beginning of Period	563,835,570	460,294,827*
<b>Net Position, End of Period</b>	<b><u>\$702,318,611</u></b>	<b><u>\$563,835,570</u></b>

\* Includes \$17,500 of seed capital invested in seven new portfolios on September 26, 2012.

## **Independent Auditor's Report**

To the Office of the State Treasurer of the State of South Carolina, Columbia Management Investment Distributors, Inc. ("Program Manager"), and Columbia Management Investment Advisers, LLC ("Columbia")

We have audited the accompanying statement of fiduciary net position and the related statement of changes in fiduciary net position of the Future Scholar 529 College Savings Plan Direct Program ("Program") comprised of the Portfolios (individually a "Portfolio" and collectively the "Portfolios") as listed in the statement of fiduciary net position and related statements of changes in fiduciary net position (collectively the "financial statements") as of June 30, 2014 and for each of the two years in the period then ended, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements.

### ***Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Program's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each Portfolio at June 30, 2014, and the respective changes in its net position for each of the two years in the period then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

The accompanying management's discussion and analysis on pages 1 through 2 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

As discussed in Note 1, the financial statements present only the Portfolios' and do not purport to, and do not, present fairly the fiduciary net position or changes in fiduciary net position of the South Carolina College Investment Trust Fund of the State of South Carolina or the Future Scholar 529 College Savings Direct Plan Program.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Program's basic financial statements. The computation of net asset value on the statement of fiduciary net position and the combined totals on the statement of fiduciary net position and statements of changes in fiduciary net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 auditing standards generally accepted in the United States of America. In our opinion, the computation of net asset value on the statement of fiduciary net position and the combined totals on the statement of fiduciary net position and the statements of changes in fiduciary net position are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

**PricewaterhouseCoopers LLP**  
Minneapolis, Minnesota  
September 23, 2014

Future Scholar 529 College Savings Plan Direct Program  
Statement of Fiduciary Net Position  
June 30, 2014

	<b>Future Scholar Aggressive Growth Portfolio</b>	<b>Future Scholar Growth Portfolio</b>	<b>Future Scholar Moderate Growth Portfolio</b>
<b>Assets</b>			
Investments, at value	\$ 146,810,457	\$ 108,867,559	\$ 119,519,098
Cash	-	-	-
Receivable for securities sold	-	-	20,579
Receivable for units sold	98,805	82,185	89,553
Receivable for accrued income	19,209	31,548	77,959
Other assets	-	-	-
Total assets	<u>146,928,471</u>	<u>108,981,292</u>	<u>119,707,189</u>
<b>Liabilities</b>			
Disbursements in excess of cash	-	-	85,418
Payable for securities purchased	83,085	113,729	77,953
Payable for units redeemed	34,927	-	23,494
Payable for reinvestment of net investment income	-	-	-
Other liabilities	41,402	-	-
Total liabilities	<u>159,414</u>	<u>113,729</u>	<u>186,865</u>
<b>Net position</b>			
	<u>\$ 146,769,057</u>	<u>\$ 108,867,563</u>	<u>\$ 119,520,324</u>
Units outstanding	<u>6,589,829</u>	<u>4,992,600</u>	<u>5,720,682</u>
Net position value per unit	<u>\$ 22.27</u>	<u>\$ 21.81</u>	<u>\$ 20.89</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Fiduciary Net Position  
June 30, 2014

	<b>Future Scholar Moderate Portfolio</b>	<b>Future Scholar Moderately Conservative Portfolio</b>	<b>Future Scholar Conservative Portfolio</b>
<b>Assets</b>			
Investments, at value	\$ 113,054,112	\$ 53,053,414	\$ 51,338,321
Cash	-	-	-
Receivable for securities sold	4,167	13,216	-
Receivable for units sold	23,912	43,170	125,669
Receivable for accrued income	85,183	41,788	34,297
Other assets	-	-	-
Total assets	<u>113,167,374</u>	<u>53,151,588</u>	<u>51,498,287</u>
<b>Liabilities</b>			
Disbursements in excess of cash	-	-	-
Payable for securities purchased	85,177	41,785	73,014
Payable for units redeemed	28,079	56,387	86,948
Payable for reinvestment of net investment income	-	-	-
Other liabilities	-	-	-
Total liabilities	<u>113,256</u>	<u>98,172</u>	<u>159,962</u>
<b>Net position</b>	<u>\$ 113,054,118</u>	<u>\$ 53,053,416</u>	<u>\$ 51,338,325</u>
Units outstanding	<u>5,643,636</u>	<u>3,045,177</u>	<u>3,366,808</u>
Net position value per unit	<u>\$ 20.03</u>	<u>\$ 17.42</u>	<u>\$ 15.25</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Fiduciary Net Position  
June 30, 2014

	<b>Future Scholar College Portfolio</b>	<b>Future Scholar Large Cap Index Portfolio</b>	<b>Future Scholar Mid Cap Index Portfolio</b>
<b>Assets</b>			
Investments, at value	\$ 6,060,942	\$ 27,341,490	\$ 22,527,266
Cash	-	-	-
Receivable for securities sold	-	19,529	-
Receivable for units sold	5,470	7,226	6,021
Receivable for accrued income	4,538	-	-
Other assets	-	-	-
Total assets	6,070,950	27,368,245	22,533,287
<b>Liabilities</b>			
Disbursements in excess of cash	-	-	-
Payable for securities purchased	6,448	-	4,713
Payable for units redeemed	3,560	25,747	300
Payable for reinvestment of net investment income	-	-	-
Other liabilities	-	-	-
Total liabilities	10,008	25,747	5,013
<b>Net position</b>			
	\$ 6,060,942	\$ 27,342,498	\$ 22,528,274
Units outstanding	602,856	1,310,395	736,290
Net position value per unit	\$ 10.05	\$ 20.87	\$ 30.60

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Fiduciary Net Position  
June 30, 2014

	<b>Future Scholar Small Cap Index Portfolio</b>	<b>Future Scholar International Equity Index Portfolio</b>	<b>Future Scholar Bond Index Portfolio</b>
<b>Assets</b>			
Investments, at value	\$ 9,346,744	\$ 3,249,358	\$ 687,072
Cash	-	-	-
Receivable for securities sold	-	-	-
Receivable for units sold	4,530	2,382	550
Receivable for accrued income	-	-	1,294
Other assets	-	-	-
Total assets	<u>9,351,274</u>	<u>3,251,740</u>	<u>688,916</u>
<b>Liabilities</b>			
Disbursements in excess of cash	-	-	-
Payable for securities purchased	3,522	1,373	1,844
Payable for units redeemed	-	-	-
Payable for reinvestment of net investment income	-	-	-
Other liabilities	-	2,561	227
Total liabilities	<u>3,522</u>	<u>3,934</u>	<u>2,071</u>
<b>Net position</b>	<u>\$ 9,347,752</u>	<u>\$ 3,247,806</u>	<u>\$ 686,845</u>
Units outstanding	<u>425,096</u>	<u>252,951</u>	<u>67,615</u>
Net position value per unit	<u>\$ 21.99</u>	<u>\$ 12.84</u>	<u>\$ 10.16</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Fiduciary Net Position  
June 30, 2014

	<b>Future Scholar Short Term Bond Index Portfolio</b>	<b>Future Scholar TIPS Bond ETF Portfolio</b>	<b>Future Scholar Ultra Short Term Bond Portfolio</b>
<b>Assets</b>			
Investments, at value	\$ 1,047,490	\$ 450,827	\$ 334,904
Cash	-	79	-
Receivable for securities sold	-	-	-
Receivable for units sold	225	-	-
Receivable for accrued income	1,054	-	121
Other assets	-	-	41
Total assets	<u>1,048,769</u>	<u>450,906</u>	<u>335,066</u>
<b>Liabilities</b>			
Disbursements in excess of cash	-	-	-
Payable for securities purchased	1,279	-	121
Payable for units redeemed	-	-	-
Payable for reinvestment of net investment income	-	-	-
Other liabilities	-	-	-
Total liabilities	<u>1,279</u>	<u>-</u>	<u>121</u>
<b>Net position</b>	<u>\$ 1,047,490</u>	<u>\$ 450,906</u>	<u>\$ 334,945</u>
Units outstanding	<u>103,374</u>	<u>46,267</u>	<u>33,255</u>
Net position value per unit	<u>\$ 10.13</u>	<u>\$ 9.75</u>	<u>\$ 10.07</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Fiduciary Net Position  
June 30, 2014

	<b>Future Scholar Legacy Capital Preservation Portfolio</b>	<b>Future Scholar Bank Deposit Portfolio</b>	<b>Total Future Scholar 529 Savings Plan Direct Program (a)</b>
<b>Assets</b>			
Investments, at value	\$ 32,705,297	\$ 5,956,569	\$ 702,350,920
Cash	-	-	79
Receivable for securities sold	-	-	57,491
Receivable for units sold	84,309	105,839	679,846
Receivable for accrued income	87	436	297,514
Other assets	-	-	41
Total assets	<u>32,789,693</u>	<u>6,062,844</u>	<u>703,385,891</u>
<b>Liabilities</b>			
Disbursements in excess of cash	-	-	85,418
Payable for securities purchased	18,998	51,375	564,416
Payable for units redeemed	36,349	50,000	345,791
Payable for reinvestment of net investment income	27,033	432	27,465
Other liabilities	-	-	44,190
Total liabilities	<u>82,380</u>	<u>101,807</u>	<u>1,067,280</u>
<b>Net position</b>	<u>\$ 32,707,313</u>	<u>\$ 5,961,037</u>	<u>\$ 702,318,611</u>
Units outstanding	<u>32,707,305</u>	<u>5,961,037</u>	
Net position value per unit	<u>\$ 1.00</u>	<u>\$ 1.00</u>	

(a) Supplementary data

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Changes in Fiduciary Net Position

	<u>Future Scholar Aggressive Growth Portfolio</u>		<u>Future Scholar Growth Portfolio</u>	
	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>
<b>Additions</b>				
Contributions - units sold	\$ 24,082,288	\$ 71,062,047	\$ 30,900,271	\$ 49,415,862
<b>Increase (Decrease) from investment operations</b>				
Dividend income	2,813,676	2,250,251	2,022,142	1,607,374
Interest income	-	-	-	-
Net realized gain (loss)	4,551,781	4,177,290	2,194,693	1,735,705
Capital gain distributions from underlying fund shares	1,252,650	919,052	784,472	569,782
Net change in appreciation (depreciation) in value of investments	<u>16,544,020</u>	<u>10,074,583</u>	<u>11,867,624</u>	<u>7,076,103</u>
Net increase (decrease) in net position resulting from operations	<u>25,162,127</u>	<u>17,421,176</u>	<u>16,868,931</u>	<u>10,988,964</u>
Total additions	<u><u>49,244,415</u></u>	<u><u>88,483,223</u></u>	<u><u>47,769,202</u></u>	<u><u>60,404,826</u></u>
<b>Deductions</b>				
Withdrawals - units redeemed	<u>\$ 22,815,589</u>	<u>\$ 68,028,748</u>	<u>\$ 23,581,564</u>	<u>\$ 45,059,104</u>
Reinvestment of net investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses (see Note 3) (a)</b>				
Management fees	<u>-</u>	<u>51,178</u>	<u>-</u>	<u>35,710</u>
Total expenses	<u>-</u>	<u>51,178</u>	<u>-</u>	<u>35,710</u>
Total deductions	<u><u>22,815,589</u></u>	<u><u>68,079,926</u></u>	<u><u>23,581,564</u></u>	<u><u>45,094,814</u></u>
Net increase (decrease)	\$ 26,428,826	\$ 20,403,297	\$ 24,187,638	\$ 15,310,012
Net position at beginning of year	<u>120,340,231</u>	<u>99,936,934</u>	<u>84,679,925</u>	<u>69,369,913</u>
Net position at end of year	<u><u>\$ 146,769,057</u></u>	<u><u>\$ 120,340,231</u></u>	<u><u>\$ 108,867,563</u></u>	<u><u>\$ 84,679,925</u></u>

(a) Does not reflect expenses of the underlying funds borne indirectly.

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Changes in Fiduciary Net Position

	<u>Future Scholar Moderate Growth Portfolio</u>		<u>Future Scholar Moderate Portfolio</u>	
	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>
<b>Additions</b>				
Contributions - units sold	\$ 34,814,015	\$ 55,375,287	\$ 33,082,650	\$ 44,776,695
<b>Increase (Decrease) from investment operations</b>				
Dividend income	2,258,873	1,872,119	2,043,869	1,730,149
Interest income	-	-	-	-
Net realized gain (loss)	2,146,578	2,682,052	1,666,679	2,786,932
Capital gain distributions from underlying fund shares	750,000	639,879	580,855	543,448
Net change in appreciation (depreciation) in value of investments	<u>10,333,657</u>	<u>4,296,103</u>	<u>8,683,748</u>	<u>2,639,280</u>
Net increase (decrease) in net position resulting from operations	<u>15,489,108</u>	<u>9,490,153</u>	<u>12,975,151</u>	<u>7,699,809</u>
Total additions	<u><u>50,303,123</u></u>	<u><u>64,865,440</u></u>	<u><u>46,057,801</u></u>	<u><u>52,476,504</u></u>
<b>Deductions</b>				
Withdrawals - units redeemed	<u>\$ 25,498,111</u>	<u>\$ 45,595,742</u>	<u>\$ 24,923,626</u>	<u>\$ 34,759,319</u>
Reinvestment of net investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses (see Note 3) (a)</b>				
Management fees	<u>-</u>	<u>39,762</u>	<u>-</u>	<u>38,992</u>
Total expenses	<u>-</u>	<u>39,762</u>	<u>-</u>	<u>38,992</u>
Total deductions	<u><u>25,498,111</u></u>	<u><u>45,635,504</u></u>	<u><u>24,923,626</u></u>	<u><u>34,798,311</u></u>
Net increase (decrease)	\$ 24,805,012	\$ 19,229,936	\$ 21,134,175	\$ 17,678,193
Net position at beginning of year	<u>94,715,312</u>	<u>75,485,376</u>	<u>91,919,943</u>	<u>74,241,750</u>
Net position at end of year	<u><u>\$ 119,520,324</u></u>	<u><u>\$ 94,715,312</u></u>	<u><u>\$ 113,054,118</u></u>	<u><u>\$ 91,919,943</u></u>

(a) Does not reflect expenses of the underlying funds borne indirectly.

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Changes in Fiduciary Net Position

	<u>Future Scholar Moderately Conservative Portfolio</u>		<u>Future Scholar Conservative Portfolio</u>	
	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>
<b>Additions</b>				
Contributions - units sold	\$ 26,725,450	\$ 29,396,736	\$ 28,165,455	\$ 32,988,382
<b>Increase (Decrease) from investment operations</b>				
Dividend income	759,952	640,982	532,846	521,677
Interest income	-	-	-	-
Net realized gain (loss)	457,108	1,127,410	183,080	755,827
Capital gain distributions from underlying fund shares	181,974	179,518	65,917	110,715
Net change in appreciation (depreciation) in value of investments	<u>2,651,938</u>	<u>170,974</u>	<u>1,733,141</u>	<u>(159,265)</u>
Net increase (decrease) in net position resulting from operations	<u>4,050,972</u>	<u>2,118,884</u>	<u>2,514,984</u>	<u>1,228,954</u>
Total additions	<u><u>30,776,422</u></u>	<u><u>31,515,620</u></u>	<u><u>30,680,439</u></u>	<u><u>34,217,336</u></u>
<b>Deductions</b>				
Withdrawals - units redeemed	\$ 20,059,364	\$ 23,696,277	\$ 23,868,470	\$ 27,883,791
Reinvestment of net investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses (see Note 3) (a)</b>				
Management fees	<u>-</u>	<u>17,706</u>	<u>-</u>	<u>19,909</u>
Total expenses	<u>-</u>	<u>17,706</u>	<u>-</u>	<u>19,909</u>
Total deductions	<u><u>20,059,364</u></u>	<u><u>23,713,983</u></u>	<u><u>23,868,470</u></u>	<u><u>27,903,700</u></u>
Net increase (decrease)	\$ 10,717,058	\$ 7,801,637	\$ 6,811,969	\$ 6,313,636
Net position at beginning of year	<u>42,336,358</u>	<u>34,534,721</u>	<u>44,526,356</u>	<u>38,212,720</u>
Net position at end of year	<u><u>\$ 53,053,416</u></u>	<u><u>\$ 42,336,358</u></u>	<u><u>\$ 51,338,325</u></u>	<u><u>\$ 44,526,356</u></u>

(a) Does not reflect expenses of the underlying funds borne indirectly.

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Changes in Fiduciary Net Position

	<u>Future Scholar College Portfolio</u>		<u>Future Scholar Large Cap Index Portfolio</u>	
	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013 (a)</u>	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>
<b>Additions</b>				
Contributions - units sold	\$ 6,070,221	\$ 3,212,806	\$ 5,195,404	\$ 2,940,443
<b>Increase (Decrease) from investment operations</b>				
Dividend income	36,764	9,085	409,035	388,576
Interest income	-	-	-	-
Net realized gain (loss)	(26,180)	(1,567)	36,134	7,310
Capital gain distributions from underlying fund shares	2,477	1,767	-	-
Net change in appreciation (depreciation) in value of investments	<u>58,065</u>	<u>(34,700)</u>	<u>4,706,138</u>	<u>3,031,389</u>
Net increase (decrease) in net position resulting from operations	<u>71,126</u>	<u>(25,415)</u>	<u>5,151,307</u>	<u>3,427,275</u>
Total additions	<u><u>6,141,347</u></u>	<u><u>3,187,391</u></u>	<u><u>10,346,711</u></u>	<u><u>6,367,718</u></u>
<b>Deductions</b>				
Withdrawals - units redeemed	<u>\$ 2,615,508</u>	<u>\$ 654,788</u>	<u>\$ 3,631,647</u>	<u>\$ 2,259,818</u>
Reinvestment of net investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses (see Note 3) (b)</b>				
Management fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,645</u>
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,645</u>
Total deductions	<u><u>2,615,508</u></u>	<u><u>654,788</u></u>	<u><u>3,631,647</u></u>	<u><u>2,268,463</u></u>
Net increase (decrease)	\$ 3,525,839	\$ 2,532,603	\$ 6,715,064	\$ 4,099,255
Net position at beginning of year	<u>2,535,103</u>	<u>2,500</u>	<u>20,627,434</u>	<u>16,528,179</u>
Net position at end of year	<u><u>\$ 6,060,942</u></u>	<u><u>\$ 2,535,103</u></u>	<u><u>\$ 27,342,498</u></u>	<u><u>\$ 20,627,434</u></u>

(a) For the period from October 1, 2012 (commencement of operations) to June 30, 2013.

(b) Does not reflect expenses of the underlying funds borne indirectly.

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Changes in Fiduciary Net Position

	<u>Future Scholar Mid Cap Index Portfolio</u>		<u>Future Scholar Small Cap Index Portfolio</u>	
	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>
<b>Additions</b>				
Contributions - units sold	\$ 3,828,037	\$ 2,575,992	\$ 2,065,697	\$ 1,386,486
<b>Increase (Decrease) from investment operations</b>				
Dividend income	209,980	199,024	69,246	84,772
Interest income	-	-	-	-
Net realized gain (loss)	(5,330)	(12,174)	(4,865)	(25,071)
Capital gain distributions from underlying fund shares	791,816	541,980	519,774	214,469
Net change in appreciation (depreciation) in value of investments	<u>3,297,323</u>	<u>2,504,649</u>	<u>1,126,096</u>	<u>925,124</u>
Net increase (decrease) in net position resulting from operations	<u>4,293,789</u>	<u>3,233,479</u>	<u>1,710,251</u>	<u>1,199,294</u>
Total additions	<u><u>8,121,826</u></u>	<u><u>5,809,471</u></u>	<u><u>3,775,948</u></u>	<u><u>2,585,780</u></u>
<b>Deductions</b>				
Withdrawals - units redeemed	<u>\$ 2,351,862</u>	<u>\$ 2,534,368</u>	<u>\$ 967,770</u>	<u>\$ 438,313</u>
Reinvestment of net investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses (see Note 3) (a)</b>				
Management fees	<u>-</u>	<u>6,976</u>	<u>-</u>	<u>2,290</u>
Total expenses	<u>-</u>	<u>6,976</u>	<u>-</u>	<u>2,290</u>
Total deductions	<u><u>2,351,862</u></u>	<u><u>2,541,344</u></u>	<u><u>967,770</u></u>	<u><u>440,603</u></u>
Net increase (decrease)	\$ 5,769,964	\$ 3,268,127	\$ 2,808,178	\$ 2,145,177
Net position at beginning of year	<u>16,758,310</u>	<u>13,490,183</u>	<u>6,539,574</u>	<u>4,394,397</u>
Net position at end of year	<u><u>\$ 22,528,274</u></u>	<u><u>\$ 16,758,310</u></u>	<u><u>\$ 9,347,752</u></u>	<u><u>\$ 6,539,574</u></u>

(a) Does not reflect expenses of the underlying funds borne indirectly.

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Changes in Fiduciary Net Position

	<b>Future Scholar International Equity Index Portfolio</b>		<b>Future Scholar Bond Index Portfolio</b>	
	<b>Year ended June 30, 2014</b>	<b>Year ended June 30, 2013 (a)</b>	<b>Year ended June 30, 2014</b>	<b>Year ended June 30, 2013 (a)</b>
<b>Additions</b>				
Contributions - units sold	\$ 1,793,786	\$ 1,306,380	\$ 270,091	\$ 532,757
<b>Increase (Decrease) from investment operations</b>				
Dividend income	104,956	22,404	13,461	5,415
Interest income	-	-	-	-
Net realized gain (loss)	110,930	139	(4,885)	(1,035)
Capital gain distributions from underlying fund shares	-	-	295	1,407
Net change in appreciation (depreciation) in value of investments	<u>170,754</u>	<u>(38,278)</u>	<u>16,805</u>	<u>(18,493)</u>
Net increase (decrease) in net position resulting from operations	<u>386,640</u>	<u>(15,735)</u>	<u>25,676</u>	<u>(12,706)</u>
Total additions	<u><u>2,180,426</u></u>	<u><u>1,290,645</u></u>	<u><u>295,767</u></u>	<u><u>520,051</u></u>
<b>Deductions</b>				
Withdrawals - units redeemed	<u>\$ 213,720</u>	<u>\$ 12,045</u>	<u>\$ 106,680</u>	<u>\$ 24,793</u>
Reinvestment of net investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses (see Note 3) (b)</b>				
Management fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u><u>213,720</u></u>	<u><u>12,045</u></u>	<u><u>106,680</u></u>	<u><u>24,793</u></u>
Net increase (decrease)	\$ 1,966,706	\$ 1,278,600	\$ 189,087	\$ 495,258
Net position at beginning of year	<u>1,281,100</u>	<u>2,500</u>	<u>497,758</u>	<u>2,500</u>
Net position at end of year	<u><u>\$ 3,247,806</u></u>	<u><u>\$ 1,281,100</u></u>	<u><u>\$ 686,845</u></u>	<u><u>\$ 497,758</u></u>

(a) For the period from October 1, 2012 (commencement of operations) to June 30, 2013.

(b) Does not reflect expenses of the underlying funds borne indirectly.

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Changes in Fiduciary Net Position

	<u>Future Scholar Short Term Bond Index Portfolio</u>		<u>Future Scholar TIPS Bond ETF Portfolio</u>	
	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013 (a)</u>	<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013 (a)</u>
<b>Additions</b>				
Contributions - units sold	\$ 631,136	\$ 696,680	\$ 102,188	\$ 481,039
<b>Increase (Decrease) from investment operations</b>				
Dividend income	10,187	3,481	5,689	3,885
Interest income	-	-	-	-
Net realized gain (loss)	(2,281)	(156)	(10,326)	(257)
Capital gain distributions from underlying fund shares	2,121	677	-	-
Net change in appreciation (depreciation) in value of investments	<u>4,822</u>	<u>(8,229)</u>	<u>22,662</u>	<u>(37,284)</u>
Net increase (decrease) in net position resulting from operations	<u>14,849</u>	<u>(4,227)</u>	<u>18,025</u>	<u>(33,656)</u>
Total additions	<u><u>645,985</u></u>	<u><u>692,453</u></u>	<u><u>120,213</u></u>	<u><u>447,383</u></u>
<b>Deductions</b>				
Withdrawals - units redeemed	<u>\$ 267,961</u>	<u>\$ 25,487</u>	<u>\$ 106,405</u>	<u>\$ 12,785</u>
Reinvestment of net investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses (see Note 3) (b)</b>				
Management fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u><u>267,961</u></u>	<u><u>25,487</u></u>	<u><u>106,405</u></u>	<u><u>12,785</u></u>
Net increase (decrease)	\$ 378,024	\$ 666,966	\$ 13,808	\$ 434,598
Net position at beginning of year	<u>669,466</u>	<u>2,500</u>	<u>437,098</u>	<u>2,500</u>
Net position at end of year	<u><u>\$ 1,047,490</u></u>	<u><u>\$ 669,466</u></u>	<u><u>\$ 450,906</u></u>	<u><u>\$ 437,098</u></u>

(a) For the period from October 1, 2012 (commencement of operations) to June 30, 2013.

(b) Does not reflect expenses of the underlying funds borne indirectly.

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Changes in Fiduciary Net Position

	<b>Future Scholar Ultra Short Term Bond Portfolio</b>		<b>Future Scholar Legacy Capital Preservation Portfolio</b>	
	<b>Year ended June 30, 2014</b>	<b>Year ended June 30, 2013 (a)</b>	<b>Year ended June 30, 2014</b>	<b>Year ended June 30, 2013</b>
<b>Additions</b>				
Contributions - units sold	\$ 275,667	\$ 224,745	\$ 15,758,905	\$ 16,867,267
<b>Increase (Decrease) from investment operations</b>				
Dividend income	1,158	606	1,017	576
Interest income	-	-	337,185	402,300
Net realized gain (loss)	(270)	(30)	-	-
Capital gain distributions from underlying fund shares	-	-	-	1,025
Net change in appreciation (depreciation) in value of investments	598	(398)	-	-
Net increase (decrease) in net position resulting from operations	1,486	178	338,202	403,901
Total additions	<u>277,153</u>	<u>224,923</u>	<u>16,097,107</u>	<u>17,271,168</u>
<b>Deductions</b>				
Withdrawals - units redeemed	\$ 154,289	\$ 15,342	\$ 17,074,703	\$ 16,927,308
Reinvestment of net investment income	-	-	338,200	387,068
<b>Expenses (see Note 3) (b)</b>				
Management fees	-	-	-	16,837
Total expenses	-	-	-	16,837
Total deductions	<u>154,289</u>	<u>15,342</u>	<u>17,412,903</u>	<u>17,331,213</u>
Net increase (decrease)	\$ 122,864	\$ 209,581	\$ (1,315,796)	\$ (60,045)
Net position at beginning of year	212,081	2,500	34,023,109	34,083,154
Net position at end of year	<u>\$ 334,945</u>	<u>\$ 212,081</u>	<u>\$ 32,707,313</u>	<u>\$ 34,023,109</u>

(a) For the period from October 1, 2012 (commencement of operations) to June 30, 2013.

(b) Does not reflect expenses of the underlying funds borne indirectly.

The accompanying Notes to Financial Statements are an integral part of this statement.

Future Scholar 529 College Savings Plan Direct Program  
Statement of Changes in Fiduciary Net Position

	Future Scholar Bank Deposit Portfolio		Total Future Scholar 529 College Savings Plan Direct Program (b)	
	Year ended June 30, 2014	Year ended June 30, 2013 (a)	Year ended June 30, 2014	Year ended June 30, 2013
<b>Additions</b>				
Contributions - units sold	\$ 7,507,981	\$ 2,601,826	\$ 221,269,242	\$ 315,841,430
<b>Increase (Decrease) from investment operations</b>				
Dividend income	2,984	-	11,295,835	9,340,376
Interest income	-	868	337,185	403,168
Net realized gain (loss)	-	-	11,292,846	13,232,375
Capital gain distributions from underlying fund shares	-	-	4,932,351	3,723,719
Net change in appreciation (depreciation) in value of investments	-	-	61,217,391	30,421,558
Net increase (decrease) in net position resulting from operations	2,984	868	89,075,608	57,121,196
Total additions	7,510,965	2,602,694	310,344,850	372,962,626
<b>Deductions</b>				
Withdrawals - units redeemed	\$ 3,283,356	\$ 867,914	\$ 171,520,625	\$ 268,795,942
Reinvestment of net investment income	2,984	868	341,184	387,936
<b>Expenses (see Note 3) (c)</b>				
Management fees	-	-	-	238,005
Total expenses	-	-	-	238,005
Total deductions	3,286,340	868,782	171,861,809	269,421,883
Net increase (decrease)	\$ 4,224,625	\$ 1,733,912	\$ 138,483,041	\$ 103,540,743
Net position at beginning of year	1,736,412	2,500	563,835,570	460,294,827(d)
Net position at end of year	\$ 5,961,037	\$ 1,736,412	\$ 702,318,611	\$ 563,835,570

(a) For the period from October 1, 2012 (commencement of operations) to June 30, 2013.

(b) Supplementary data.

(c) Does not reflect expenses of the underlying funds borne indirectly.

(d) Includes \$17,500 of seed capital invested in seven new portfolios on September 26, 2012.

The accompanying Notes to Financial Statements are an integral part of this statement.

FUTURE SCHOLAR 529 COLLEGE SAVINGS PLAN  
DIRECT PROGRAM  
Notes to Financial Statements  
June 30, 2014

**Note 1. Organization**

The Future Scholar 529 College Savings Plan Direct Program (the Program), part of the South Carolina College Investment Trust Fund (the Trust Fund), was established by the Office of the State Treasurer of South Carolina (the Treasurer) to provide a tax-advantaged method to fund qualified higher education expenses of designated beneficiaries at eligible educational institutions. The Program has been designed to comply with the requirements for treatment as a “qualified tuition program” under Section 529 of the Internal Revenue Code of 1986, as amended (the Code). The Treasurer is responsible for administering the Program and selecting the Program Manager. Columbia Management Investment Advisers, LLC (Columbia) and Columbia Management Investment Distributors, Inc. (collectively, the Program Manager), each a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), serve as the Program Manager. The Program Manager and its affiliates are responsible for providing certain administrative, recordkeeping and investment services for the Program.

The Program is designed for self-directed investors and is offered only to account owners who are: (i) South Carolina residents; (ii) residents of other states but who have designated a South Carolina resident as Designated Beneficiary; (iii) employees of Ameriprise Financial and its affiliates, and employees of BFDS; (iv) employees of the State of South Carolina and employees of a political subdivision of the State of South Carolina, including school districts, regardless of residency; and (v) any other account owners whom the Treasurer and Program Manager deem eligible. The Program consists of 17 portfolios of which seven are target allocation portfolios and ten are single fund portfolios (collectively the Portfolios).

On December 18, 2013, Future Scholar TIPS Bond Index Portfolio was changed to Future Scholar TIPS Bond ETF Portfolio.

The target allocation portfolios invest primarily in a mix of equity and fixed income funds (the Underlying Funds). The single fund portfolios invest in a single Underlying Fund, with the exception of the Future Scholar Legacy Capital Preservation Portfolio, which also invests in one or more funding agreements. The Underlying Funds are advised by Columbia or its affiliates, BlackRock Fund Advisors or The Vanguard Group Inc. The Portfolios were invested in the following underlying investments as of June 30, 2014:

**Target Allocation Portfolios:**

**Future Scholar Aggressive Growth Portfolio** was invested in Class Z shares of the Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund and Columbia Small Cap Index Fund, Institutional Class shares of the Vanguard Developed Markets Index Fund and Vanguard Total Bond Market II Index Fund.

**Future Scholar Growth Portfolio** was invested in Class Z shares of the Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund and Columbia Small Cap Index Fund, Institutional Class shares of the Vanguard Developed Markets Index Fund, Vanguard Short Term Bond Index Fund and Vanguard Total Bond Market II Index Fund.

**Future Scholar Moderate Growth Portfolio** was invested in Class Z shares of the Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund and, Columbia Small Cap Index Fund, Institutional shares of the Vanguard Developed Markets Index Fund, Vanguard Short Term Bond Index Fund and Vanguard Total Bond Market II Index Fund.

**Future Scholar Moderate Portfolio** was invested in Class Z shares of the Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund and Columbia Small Cap Index Fund, Institutional Class shares of the Vanguard Developed Markets Index Fund, Vanguard Short Term Bond Index Fund, Vanguard Total Bond Market II Index Fund and Vanguard Prime Money Market Fund.

**Future Scholar Moderately Conservative Portfolio** was invested in Class Z shares of the Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund and Columbia Small Cap Index Fund, Institutional Class shares of the Vanguard Developed Markets Index Fund, Vanguard Short Term Bond Index Fund, Vanguard Total Bond Market II Index Fund and Vanguard Prime Money Market Fund.

**Future Scholar Conservative Portfolio** was invested in Class Z shares of the Columbia Large Cap Index Fund and Columbia Mid Cap Index Fund, Institutional Class shares of the Vanguard Short Term Bond Index Fund, Vanguard Total Bond Market II Index Fund and Vanguard Prime Money Market Fund.

**Future Scholar College Portfolio** was invested in Institutional shares of the Vanguard Short Term Bond Index Fund, Vanguard Total Bond Market II Index Fund and Vanguard Prime Money Market Fund and the iShares TIPS Bond ETF.

## **Single Fund Portfolios:**

**Future Scholar Large Cap Index Portfolio** was invested in Class Z shares of the Columbia Large Cap Index Fund.

**Future Scholar Mid Cap Index Portfolio** was invested in Class Z shares of the Columbia Mid Cap Index Fund.

**Future Scholar Small Cap Index Portfolio** was invested in Class Z shares of the Columbia Small Cap Index Fund.

**Future Scholar International Equity Index Portfolio** was invested in Institutional Class shares of the Vanguard Developed Markets Index Fund.

**Future Scholar Bond Index Portfolio** was invested in Institutional Class shares of the Vanguard Total Bond Market II Index Fund.

**Future Scholar Short Term Bond Index Portfolio** was invested in Institutional Class shares of the Vanguard Short-Term Bond Index Fund.

**Future Scholar TIPS Bond ETF Portfolio** was invested in the iShares TIPS Bond ETF.

**Future Scholar Ultra Short Term Bond Portfolio** was invested in Class Z shares of the CMG Ultra Short Term Bond Fund.

**Future Scholar Legacy Capital Preservation Portfolio** was invested in the Aegon Guaranteed Investment Contract (GIC) and Class Z shares of the Columbia Money Market Fund.

**Future Scholar Bank Deposit Portfolio** was invested in an interest bearing bank account at Bank Branching and Trust Company.

Financial statements of the Underlying Funds in which the Portfolios invest contain additional information about the expenses and investments of the underlying mutual funds and are available from the EDGAR database on the Securities and Exchange Commission (SEC) website at <http://www.sec.gov>.

These financial statements present only the Program, and do not purport to, and do not, present the fiduciary position or changes in fiduciary net position of the Trust Fund, the Future Scholar 529 College Savings Plan Financial Advisor Program or the State of South Carolina.

## **Note 2. Significant Accounting Policies**

### **Basis of Presentation**

The Program is a private-purpose trust fund, which is a type of fiduciary fund. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support a government's own programs. As a fiduciary fund, the Program's financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow.

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund*

*Accounting*, the Plan has elected not to adopt Financial Accounting Standard Board (FASB) statements and interpretations issued after November 30, 1989, unless GASB specifically adopts such FASB statements or interpretations.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB No. 63), was adopted by the Program effective January 1, 2012. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, which are financial statement elements distinct from assets and liabilities. GASB No. 63 also amends the net asset reporting requirements in GASB No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of net assets and by changing the term “net assets” to “net position”. Adoption of this statement did not have any impact on the Program’s financial statements, other than to change all references to “net assets” in the financial statements and note disclosures to “net position.” The Program has no balances or transactions that meet the definition of deferred outflows of resources or deferred inflows of resources as set forth in GASB No. 63.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts included in the financial statements and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

### **Investment Transactions and Investment Income**

Investment transactions are recorded on the trade date. Income dividends and any capital gain distributions received from the Underlying Funds are recorded on the ex-dividend date. Interest income on the GIC is recorded on the accrual basis. Realized gains and losses on investment transactions are computed based on the specific identification of securities sold. The investment income earned by each Portfolio is reinvested in additional units of its Underlying Fund(s). Investment income earned by the Future Scholar Legacy Capital Preservation Portfolio is distributed and reinvested into additional units of the Portfolio in order to maintain a net position value of \$1 per unit.

### **Security Valuation**

Investments in the Underlying Funds are valued at their respective net asset values and are determined as of the close of the New York Stock Exchange (generally 4:00 PM Eastern time) on the valuation date. The Program’s investments represent shares of the Underlying Funds, rather than individual securities and therefore are not subject to classification by custodial credit risk or disclosure of concentration of credit risk under GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

The Future Scholar Legacy Capital Preservation Portfolio invests in a traditional GIC issued by Transamerica Life Insurance and Annuity Company, a wholly owned subsidiary of Aegon. The value of the GIC is the sum of the net cash contributions to the deposit account plus interest credited minus withdrawals (the Contract Value). The GIC is a contractual investment rather than a security and is not deemed to be subject to custodial credit risk. However, there is a risk that an insurance company could fail to perform its obligations under a funding agreement for financial or other reasons. Effective June 1, 2010, the GIC is no longer accepting additional cash contributions to the deposit account and begun a wind-down phase on October 1, 2010 and will remain in effect until August 1, 2017.

### **Units**

The beneficial interests of each account owner and beneficiary in the net position of the Portfolios are represented by units. Once a contribution or withdrawal request is accepted and processed by the Program Manager, the activity is recorded based upon the next determined net position value per unit. Net position value per unit is determined each business day. There are no distributions of net investment income or realized gains to

the Portfolios' account owners or beneficiaries of the Program in accordance with the Code. Also, any earnings on contributions are generally not subject to federal income tax when used to pay for qualified higher education expenses as defined in the Code.

### **Federal Income Taxes**

The Trust Fund intends to qualify each year as a qualified tuition program under the Code, which provides exemption from federal income tax. Under South Carolina State law, the Trust Fund will not pay a South Carolina franchise tax or other tax based on income. Therefore, no provision for federal or state income taxes has been recorded. Amounts withdrawn for reasons other than payment of qualified higher education expenses generally will be subject to a 10% federal tax penalty on earnings in addition to the income tax that is due. These taxes would be payable directly by unitholders and are therefore not deducted from the assets of the Portfolios.

### **Indemnification**

In the normal course of business, the Program enters into contracts that contain a variety of representations and warranties and which provide general indemnities. The Program's maximum exposure under these arrangements is unknown because this would involve future claims against the Program. Also, under the Program's organizational documents and by contract, the Program, the Treasurer, the State of South Carolina, Ameriprise Financial and its affiliates and Columbia and its affiliates are indemnified against certain liabilities that may arise out of actions relating to their duties to the Program. However, based on experience, the Program expects the risk of loss due to these representations, warranties and indemnities to be minimal.

### **Note 3. Related Party Transactions**

The Treasurer has entered into a contract for program management services (the Management Agreement) with the Program Manager, pursuant to which the Program Manager provides program management, distribution and investment advisory services to the Portfolios. The Program Manager does not receive a fee for its services from the Portfolios. Prior to October 1, 2012, the Program Manager was entitled to receive a management fee at a maximum annual rate of 0.20% of each Portfolio's average daily net position. Transfer agent, legal, audit, printing and other expenses incurred by the Portfolios are also paid by the Program Manager.

The Program Manager receives an administration and distribution fee equal to the annual rate of 0.10% of the Future Scholar Legacy Capital Preservation Portfolio's average daily net position invested in the funding agreement issued by Transamerica Life Insurance and Annuity Company, the initial investment of the Portfolio. This fee is paid by the issuer of the funding agreement and not by the Portfolio.

### **Underlying Investment Expenses**

In addition to the fees and expenses which the Program bears directly, the Program indirectly bears a pro rata share of the fees and expenses of the Underlying Funds in which it invests.

### **Annual Maintenance Fees**

Prior to October 1, 2012, each account was charged a \$25 annual fee for account maintenance, which was waived under certain circumstances. The account maintenance fee was assessed annually on or about the anniversary of the date when the account was established. The fee, which was collected by the Program Manager assessed against the Portfolio which represented the largest percentage allocation of an account, was reflected in the financial statements as a redemption of Portfolio units. Effective October 1, 2012, the annual maintenance fee is no longer charged to the accounts.

#### Note 4. Change in Value of Investments

The following table represents a calculation of the net increase (decrease) in the value of investments during the years ended June 30, 2014 and 2013.

<b>2014</b> <i>(In thousands)</i>					
<b>Portfolio</b>	<b>Value at Beginning of the Year (\$)</b>	<b>Plus Cost of Investments Purchased During the Year (\$)</b>	<b>Less Proceeds of Investments Sold During the Year (\$)</b>	<b>Value at End of the Year (\$)</b>	<b>Change in Value of Investments During the Year (\$)*</b>
Future Scholar Aggressive Growth Portfolio	120,382	60,721	(50,837)	146,810	16,544
Future Scholar Growth Portfolio	84,680	40,042	(27,722)	108,868	11,868
Future Scholar Moderate Growth Portfolio	94,715	36,821	(22,351)	119,519	10,334
Future Scholar Moderate Portfolio	91,920	32,794	(20,344)	113,054	8,684
Future Scholar Moderately Conservative Portfolio	42,336	17,584	(9,519)	53,053	2,652
Future Scholar Conservative Portfolio	44,527	18,987	(13,909)	51,338	1,733
Future Scholar College Portfolio	2,535	4,890	(1,422)	6,061	58
Future Scholar Large Cap Index Portfolio	20,627	3,889	(1,881)	27,341	4,706
Future Scholar Mid Cap Index Portfolio	16,758	3,465	(993)	22,527	3,297
Future Scholar Small Cap Index Portfolio	6,540	2,105	(424)	9,347	1,126
Future Scholar International Equity Index Portfolio	1,282	4,589	(2,792)	3,249	170
Future Scholar Bond Index Portfolio	498	288	(116)	687	17
Future Scholar Short Term Bond Index Portfolio	669	543	(170)	1,047	5
Future Scholar TIPS Bond ETF Portfolio	437	108	(117)	451	23
Future Scholar Ultra Short Term Bond Portfolio	212	270	(148)	335	1
Future Scholar Legacy Capital Preservation Portfolio	34,021	11,624	(12,940)	32,705	-
Future Scholar Bank Deposit Portfolio	1,736	5,552	(1,331)	5,957	-
<b>Total*</b>	<b>563,876</b>	<b>244,272</b>	<b>(167,016)</b>	<b>702,349</b>	<b>61,218</b>

<b>2013</b> <i>(In thousands)</i>					
<b>Portfolio</b>	<b>Value at Beginning of the Year (\$)</b>	<b>Plus Cost of Investments Purchased During the Year (\$)</b>	<b>Less Proceeds of Investments Sold During the Year (\$)</b>	<b>Value at End of the Year (\$)</b>	<b>Change in Value of Investments During the Year (\$)*</b>
Future Scholar Aggressive Growth Portfolio	99,937	55,577	(45,207)	120,382	10,075
Future Scholar Growth Portfolio	69,370	39,013	(30,779)	84,680	7,076
Future Scholar Moderate Growth Portfolio	75,485	62,401	(47,467)	94,715	4,296
Future Scholar Moderate Portfolio	74,242	65,110	(50,071)	91,920	2,639
Future Scholar Moderately Conservative Portfolio	34,535	39,980	(32,350)	42,336	171
Future Scholar Conservative Portfolio	38,213	66,383	(59,910)	44,527	(159)
Future Scholar College Portfolio	-	2,858	(288)	2,535	(35)
Future Scholar Large Cap Index Portfolio	16,528	2,491	(1,423)	20,627	3,031
Future Scholar Mid Cap Index Portfolio	13,490	2,692	(1,929)	16,758	2,505
Future Scholar Small Cap Index Portfolio	4,394	1,497	(276)	6,540	925
Future Scholar International Equity Index Portfolio	-	1,337	(17)	1,282	(38)
Future Scholar Bond Index Portfolio	-	540	(24)	498	(18)
Future Scholar Short Term Bond Index Portfolio	-	696	(19)	669	(8)
Future Scholar TIPS Bond ETF Portfolio	-	488	(14)	437	(37)
Future Scholar Ultra Short Term Bond Portfolio	-	227	(15)	212	-
Future Scholar Legacy Capital Preservation Portfolio	34,082	6,390	(6,451)	34,021	-
Future Scholar Bank Deposit Portfolio	-	2,333	(597)	1,736	-
<b>Total*</b>	<b>460,276</b>	<b>350,015</b>	<b>(276,837)</b>	<b>563,876</b>	<b>30,422</b>

\* Amounts may not total due to rounding.

#### **Note 5. Disclosure of Significant Risks and Contingencies**

##### **Foreign Securities**

Certain Underlying Funds invest in foreign securities. There are certain additional risks involved when investing in foreign securities that are not inherent with investments in domestic securities. These risks may involve foreign currency exchange rate fluctuations, adverse political and economic developments and the possible prevention of

currency exchange or other foreign governmental laws or restrictions. In addition, the liquidity of foreign securities may be more limited than that of domestic securities. The following represents the value at June 30, 2014 of Underlying Funds, by Portfolio, which have the majority of their investments exposed to foreign securities.

<b>Portfolio</b>	<b>Underlying Fund</b>	<b>Value</b>
Future Scholar Aggressive Growth Portfolio	Vanguard Developed Markets Index Fund	\$32,170,781
Future Scholar Growth Portfolio	Vanguard Developed Markets Index Fund	19,505,136
Future Scholar Moderate Growth Portfolio	Vanguard Developed Markets Index Fund	16,045,770
Future Scholar Moderate Portfolio	Vanguard Developed Markets Index Fund	11,860,834
Future Scholar Moderately Conservative Portfolio	Vanguard Developed Markets Index Fund	3,181,294
Future Scholar International Equity Index Portfolio	Vanguard Developed Markets Index Fund	3,249,358

#### **Interest Rate and Credit Risk**

Certain Underlying Funds invest in fixed-income securities. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. The Underlying Funds in which the Portfolios invest are not rated by any nationally recognized statistical rating organization.

#### **Non-Payment Risk**

Certain Underlying Funds may invest in senior loans, which like other corporate debt obligations are subject to the risk of non-payment of scheduled interest and/or principal. Nonpayment would result in a reduction of income to the underlying fund, a reduction in the value of the senior loan experiencing non-payment and a potential decrease in the net asset value of the Underlying Fund.

#### **Note 6. Subsequent Events**

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

#### **Note 7. Information Regarding Pending and Settled Legal Proceedings**

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)) entered into settlement agreements with the Securities and Exchange Commission and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of \$10 million and civil money penalties of \$7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at [www.sec.gov/litigation/admin/ia-2451.pdf](http://www.sec.gov/litigation/admin/ia-2451.pdf). Ameriprise Financial and its affiliates

have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Directors/Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Portfolios are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Portfolios or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Portfolios. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at [www.sec.gov](http://www.sec.gov).

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Portfolios. Further, although we believe proceedings are not likely to have a material adverse effect on the Portfolios or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Portfolios, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.