

**Future Scholar  
529 College Savings Plan  
Direct Program  
Financial Statements  
June 30, 2011**

# Table of Contents

	<b>Page</b>
<b>Management's Discussion and Analysis</b>	<b>1 – 2</b>
<b>Report of Independent Auditors</b>	<b>3 – 4</b>
<b>Statement of Fiduciary Net Assets</b>	<b>5 – 6</b>
<b>Statement of Changes in Fiduciary Net Assets</b>	<b>7 – 10</b>
<b>Notes to Financial Statements</b>	<b>11 – 18</b>

## 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, 2011. 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 ten investment portfolios (the "Portfolios") in which participants may invest.

### Financial Highlights

The Program received \$43 million in net contributions from participants during the year ended June 30, 2011.

The Program earned \$69 million from investment operations and paid \$0.7 million for operating expenses during the period.

### 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 Assets and a Statement of Changes in Fiduciary Net Assets 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 Assets presents information on the Program's assets and liabilities, with the difference between the two reported as net assets as of June 30, 2011. This statement, along with the Program's other financial statement, is 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 Assets presents information showing how the Program's net assets changed during the year. Changes in net assets 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.

### Financial Analysis

**Net Assets.** The following is a condensed Statement of Fiduciary Net Assets for the Portfolios as of June 30, 2011 and June 30, 2010.

	<u>2011 (000's)</u>	<u>2010 (000's)</u>
Investments	\$417,380	\$306,952
Receivables	<u>250</u>	<u>327</u>
<b>Total Assets</b>	<b><u>\$417,630</u></b>	<b><u>\$307,279</u></b>
Payables	<u>138</u>	<u>163</u>
<b>Total Liabilities</b>	<b><u>\$ 138</u></b>	<b><u>163</u></b>
<b>Total Net Assets</b>	<b><u>\$417,492</u></b>	<b><u>\$307,116</u></b>

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

Net assets represent cumulative contributions from participants plus net increases from operations less redemptions and expenses.

The investments in the ten Portfolios of the Program comprise 99.9% of total assets. Other assets consist of receivables for securities sold, receivables for units sold and receivables for accrued income. Liabilities consist of payables for securities purchased, payables for withdrawals, payables for reinvestment of net investment income and payables for accrued expenses.

**Changes in Net Assets.** The following is a condensed Statement of Changes in Fiduciary Net Assets for the Portfolios for the years ended June 30, 2011 and June 30, 2010.

	<u>2011 (000's)</u>	<u>2010 (000's)</u>
Additions:		
Contributions	\$136,614	\$119,259
Net Appreciation (Depreciation) in Value of Investments	62,542	28,143
Net Realized Gain (Loss) on Underlying Fund Shares Sold	(2,605)	(7,517)
Capital Gains Distributions from Underlying Fund Shares	2,281	5
Dividend and Interest Income	<u>6,761</u>	<u>6,249</u>
<b>Total Additions</b>	<b><u>\$205,593</u></b>	<b><u>\$146,139</u></b>
Deductions:		
Withdrawals	93,956	77,930
Reinvestment of Net Investment Income	528	802
Expenses	<u>732</u>	<u>578</u>
<b>Total Deductions</b>	<b><u>\$95,216</u></b>	<b><u>\$79,310</u></b>
<b>Change in Net Assets</b>	<b><u>110,376</u></b> *	<b><u>66,829</u></b>
Net Assets, Beginning of Period	<u>307,115</u>	<u>240,286</u>
<b>Net Assets, End of Period</b>	<b><u>\$417,492</u></b> *	<b><u>\$307,115</u></b>

\* Amounts may not total due to rounding



## **Report of Independent Auditors**

To the Office of the State Treasurer of the State of South Carolina, Columbia Management Distributors, Inc. ("Program Manager"), Columbia Management Investment Advisors, LLC ("Columbia") and Participants in the Future Scholar 529 College Savings Plan Direct Program:

In our opinion, the accompanying statements of fiduciary net assets and the related statements of changes in fiduciary net assets present fairly, in all material respects, the financial position of the Future Scholar 529 College Savings Plan Direct Program comprised of Aggressive Growth Portfolio, Growth Portfolio, Balanced Growth Portfolio, Balanced Portfolio, Income & Growth Portfolio, Income Portfolio, Large Cap Index Portfolio, Mid Cap Index Portfolio, Small Cap Index Portfolio, and Conservative Portfolio (collectively the "Portfolios") at June 30, 2011 and the changes in each of their net assets for each of the two years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Program Manager and Columbia. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits which included confirmation of the Portfolios' securities at June 30, 2011 by correspondence with the transfer agent and contract issuer provide a reasonable basis for our opinions.

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 assets or changes in fiduciary net assets of the South Carolina College Investment Trust Fund of the State of South Carolina.

Management's Discussion and Analysis on pages 1 and 2 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Portfolios' financial statements. The computation of net asset value on the statements of fiduciary net assets and the combined totals on the statements of fiduciary net assets and statements of changes in fiduciary net assets are presented for purposes of additional analysis and are not a required



part of the Portfolios' financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Portfolios' financial statements and, in our opinion, is fairly stated in all material respects in relation to the Portfolios' financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2011 on our consideration of the Portfolios' 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.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP".

Boston, Massachusetts  
September 19, 2011

**Future Scholar 529 College Savings Plan Direct Program**  
**Statement of Fiduciary Net Assets**  
**At June 30, 2011**

	<u>Aggressive Growth Portfolio</u>	<u>Growth Portfolio</u>	<u>Balanced Growth Portfolio</u>	<u>Balanced Portfolio</u>	<u>Income &amp; Growth Portfolio</u>	<u>Income Portfolio</u>
<b>Assets</b>						
Investments, at Value	\$ 96,598,654	\$ 65,380,771	\$ 66,239,403	\$ 64,553,511	\$ 30,702,138	\$ 31,284,992
Receivable for Securities Sold	-	-	-	-	-	-
Receivable for Units Sold	17,192	6,075	7,210	5,392	2,587	7,650
Receivable for Accrued Income	-	13,695	40,197	64,436	32,996	28,862
Total Assets	<u>96,615,846</u>	<u>65,400,541</u>	<u>66,286,810</u>	<u>64,623,339</u>	<u>30,737,721</u>	<u>31,321,504</u>
<b>Liabilities</b>						
Payable for Securities Purchased	11,422	6,075	6,439	4,942	2,587	2,683
Payable for Units Redeemed	5,770	-	772	450	-	4,967
Payable for Reinvestment of Net Investment Income	-	-	-	-	-	-
Payable for Accrued Expenses (See Note 3)	15,331	10,449	10,647	10,441	5,000	5,110
Total Liabilities	<u>32,523</u>	<u>16,524</u>	<u>17,858</u>	<u>15,833</u>	<u>7,587</u>	<u>12,760</u>
<b>Net Assets</b>	<u>\$ 96,583,323</u>	<u>\$ 65,384,017</u>	<u>\$ 66,268,952</u>	<u>\$ 64,607,506</u>	<u>\$ 30,730,134</u>	<u>\$ 31,308,744</u>
Units Outstanding	6,278,201	4,199,879	4,185,675	4,123,749	2,082,699	2,262,802
Net Asset Value Per Unit (a) (b)	<u>\$ 15.38</u>	<u>\$ 15.57</u>	<u>\$ 15.83</u>	<u>\$ 15.67</u>	<u>\$ 14.75</u>	<u>\$ 13.84</u>

(a) Redemption price per unit is equal to net asset value less any applicable contingent deferred sales charge.

(b) Net asset value per unit may not recalculate due to rounding of fractional shares.

See accompanying notes to financial statements.

**Future Scholar 529 College Savings Plan Direct Program**  
**Statement of Fiduciary Net Assets**  
**At June 30, 2011**

	Large Cap Index Portfolio	Mid Cap Index Portfolio	Small Cap Index Portfolio	Conservative Portfolio	Total South Carolina's 529 College Savings Plan Direct Program (c)
<b>Assets</b>					
Investments, at Value	\$ 14,557,926	\$ 13,492,099	\$ 3,870,924	\$ 30,699,302	\$ 417,379,720
Receivable for Securities Sold	-	-	-	18,849	18,849
Receivable for Units Sold	1,319	1,018	338	1,790	50,571
Receivable for Accrued Income	-	-	-	32	180,218
Total Assets	<u>14,559,245</u>	<u>13,493,117</u>	<u>3,871,262</u>	<u>30,719,973</u>	<u>417,629,358</u>
<b>Liabilities</b>					
Payable for Securities Purchased	1,319	1,018	338	-	36,823
Payable for Units Redeemed	-	-	-	20,639	32,598
Payable for Reinvestment of Net Investment Income	-	-	-	1,270	1,270
Payable for Accrued Expenses (See Note 3)	2,332	2,160	614	4,995	67,079
Total Liabilities	<u>3,651</u>	<u>3,178</u>	<u>952</u>	<u>26,904</u>	<u>137,770</u>
<b>Net Assets</b>	<u>\$ 14,555,594</u>	<u>\$ 13,489,939</u>	<u>\$ 3,870,310</u>	<u>\$ 30,693,069</u>	<u>\$ 417,491,588</u>
Units Outstanding	1,096,412	669,553	278,318	30,693,069	
Net Asset Value Per Unit (a) (b)	<u>\$ 13.28</u>	<u>\$ 20.15</u>	<u>\$ 13.91</u>	<u>\$ 1.00</u>	

(a) Redemption price per unit is equal to net asset value less any applicable contingent deferred sales charge.

(b) Net asset value per unit may not recalculate due to rounding of fractional shares.

(c) Supplementary Data

See accompanying notes to financial statements.

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

	<u>Aggressive Growth Portfolio</u>		<u>Growth Portfolio</u>		<u>Balanced Growth Portfolio</u>	
	Year ended June 30, 2011	Year ended June 30, 2010	Year ended June 30, 2011	Year ended June 30, 2010	Year ended June 30, 2011	Year ended June 30, 2010
<b>ADDITIONS</b>						
Contributions - Units Sold	19,845,081	18,914,032	18,855,889	16,355,747	21,418,897	15,580,734
Increase from Investment Operations						
Dividend Income	1,279,951	1,086,812	977,564	824,351	1,170,575	1,033,997
Net Realized Gain (Loss) on Underlying Fund Shares Sold	(2,020,430)		(627,202)		(345,135)	
Capital Gain Distributions from Underlying Fund Shares	635,808	(4,288,963)	445,252	(846,029)	349,746	(1,071,357)
Net Change in Appreciation (Depreciation) in Value of Investments	21,516,046	10,114,841	13,133,224	4,588,269	10,554,243	4,692,305
Net Increase (Decrease) from Investment Operations	21,411,375	6,912,690	13,928,838	4,566,591	11,729,429	4,654,945
Total Additions	<u>41,256,456</u>	<u>25,826,722</u>	<u>32,784,727</u>	<u>20,922,338</u>	<u>33,148,326</u>	<u>20,235,679</u>
<b>DEDUCTIONS</b>						
Withdrawals - Units Redeemed	13,942,377	12,262,673	13,033,840	9,797,561	13,471,339	12,103,371
Expenses (See Note 3)(a)						
Management Fees	165,388	133,272	114,505	88,441	115,682	90,918
Total Expenses	165,388	133,272	114,505	88,441	115,682	90,918
Total Deductions	<u>14,107,765</u>	<u>12,395,945</u>	<u>13,148,345</u>	<u>9,886,002</u>	<u>13,587,021</u>	<u>12,194,289</u>
Net Increase	27,148,691	13,430,777	19,636,382	11,036,336	19,561,305	8,041,390
<b>Net Assets</b>						
Beginning of Year	69,434,632	56,003,855	45,747,635	34,711,299	46,707,647	38,666,257
End of Year	<u>\$ 96,583,323</u>	<u>\$ 69,434,632</u>	<u>\$ 65,384,017</u>	<u>\$ 45,747,635</u>	<u>\$ 66,268,952</u>	<u>\$ 46,707,647</u>

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

See accompanying notes to financial statements.

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

	Balanced Portfolio		Income & Growth Portfolio		Income Portfolio	
	Year ended June 30, 2011	Year ended June 30, 2010	Year ended June 30, 2011	Year ended June 30, 2010	Year ended June 30, 2011	Year ended June 30, 2010
<b>ADDITIONS</b>						
Contributions - Units Sold	19,575,652	18,045,138	15,326,315	12,164,700	18,429,090	15,754,452
Increase from Investment Operations						
Dividend Income	1,316,582	1,202,496	572,563	497,510	499,709	457,148
Net Realized Gain (Loss) on Underlying Fund Shares Sold	(57,688)		32,223		589,878	
Capital Gain Distributions from Underlying Fund Shares	246,814	(587,136)	83,743	(300,823)	45,053	(26,893)
Net Change in Appreciation (Depreciation) in Value of Investments	7,497,999	3,510,370	2,167,114	1,311,621	747,913	802,591
Net Increase (Decrease) from Investment Operations	9,003,707	4,125,730	2,855,643	1,508,308	1,882,553	1,232,846
Total Additions	<u>28,579,359</u>	<u>22,170,868</u>	<u>18,181,958</u>	<u>13,673,008</u>	<u>20,311,643</u>	<u>16,987,298</u>
<b>DEDUCTIONS</b>						
Withdrawals - Units Redeemed	12,438,804	10,459,224	9,548,108	8,126,294	13,692,607	10,981,609
Expenses (See Note 3)(a)						
Management Fees	114,479	89,870	53,569	40,581	57,568	45,383
Total Expenses	114,479	89,870	53,569	40,581	57,568	45,383
Total Deductions	<u>12,553,283</u>	<u>10,549,094</u>	<u>9,601,677</u>	<u>8,166,875</u>	<u>13,750,175</u>	<u>11,026,992</u>
Net Increase	16,026,076	11,621,774	8,580,281	5,506,133	6,561,468	5,960,306
<b>Net Assets</b>						
Beginning of Year	48,581,430	36,959,656	22,149,853	16,643,720	24,747,276	18,786,970
End of Year	<u>\$ 64,607,506</u>	<u>\$ 48,581,430</u>	<u>\$ 30,730,134</u>	<u>\$ 22,149,853</u>	<u>\$ 31,308,744</u>	<u>\$ 24,747,276</u>

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

See accompanying notes to financial statements.

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

	<u>Large Cap Index Portfolio</u>		<u>Mid Cap Index Portfolio</u>		<u>Small Cap Index Portfolio</u>	
	Year ended June 30, 2011	Year ended June 30, 2010	Year ended June 30, 2011	Year ended June 30, 2010	Year ended June 30, 2011	Year ended June 30, 2010
<b>ADDITIONS</b>						
Contributions - Units Sold	2,026,309	1,805,637	2,535,046	1,492,062	914,181	685,064
Increase from Investment Operations						
Dividend Income	223,165	183,185	108,965	97,442	27,161	16,744
Net Realized Gain (Loss) on Underlying Fund Shares Sold	(25,774)		(52,794)		(98,537)	
Capital Gain Distributions from Underlying Fund Shares		(165,774)	362,787	(195,172)	111,868	(29,940)
Net Change in Appreciation (Depreciation) in Value of Investments	3,016,299	1,121,271	3,024,231	1,661,724	884,753	340,039
Net Increase (Decrease) from Investment Operations	3,213,690	1,138,682	3,443,189	1,563,994	925,245	326,843
Total Additions	<u>5,239,999</u>	<u>2,944,319</u>	<u>5,978,235</u>	<u>3,056,056</u>	<u>1,839,426</u>	<u>1,011,907</u>
<b>DEDUCTIONS</b>						
Withdrawals - Units Redeemed	1,094,990	844,965	1,200,172	804,691	416,285	66,253
Expenses (See Note 3)(a)						
Management Fees	25,881	20,619	22,643	16,743	6,358	4,230
Total Expenses	25,881	20,619	22,643	16,743	6,358	4,230
Total Deductions	<u>1,120,871</u>	<u>865,584</u>	<u>1,222,815</u>	<u>821,434</u>	<u>422,643</u>	<u>70,483</u>
Net Increase	4,119,128	2,078,735	4,755,420	2,234,622	1,416,783	941,424
<b>Net Assets</b>						
Beginning of Year	10,436,466	8,357,731	8,734,519	6,499,897	2,453,527	1,512,103
End of Year	<u>\$ 14,555,594</u>	<u>\$ 10,436,466</u>	<u>\$ 13,489,939</u>	<u>\$ 8,734,519</u>	<u>\$ 3,870,310</u>	<u>\$ 2,453,527</u>

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

See accompanying notes to financial statements.

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

	<b>Conservative Portfolio</b>		<b>Total South Carolina's 529 College Savings Plan Direct Program</b>	
	Year ended June 30, 2011	Year ended June 30, 2010	Year Ended June 30, 2011 (b)	Year Ended June 30, 2010 (b)
<b>ADDITIONS</b>				
Contributions - Units Sold	17,687,385	18,461,157	136,613,845	119,258,723
Increase from Investment Operations				
Dividend Income	145	-	6,176,380	5,399,685
Interest Income	584,445	849,642	584,445	849,642
Net Realized Gain (Loss) on Underlying Fund Shares Sold			(2,605,459)	
Capital Gain Distributions from Underlying Fund Shares	-	-	2,281,071	(7,512,087)
Net Change in Appreciation (Depreciation) in Value of Investments	-	-	62,541,822	28,143,031
Net Increase (Decrease) from Investment Operations	584,590	849,642	68,978,259	26,880,271
Total Additions	18,271,975	19,310,799	205,592,104	146,138,994
<b>DEDUCTIONS</b>				
Withdrawals - Units Redeemed	15,117,044	12,483,326	93,955,566	77,929,967
Reinvestment of Net Investment Income	528,489	801,822	528,489	801,822
Expenses (See Note 3)(a)				
Management Fees	56,101	47,818	732,174	577,875
Total Expenses	56,101	47,818	732,174	577,875
Total Deductions	15,701,634	13,332,966	95,216,229	79,309,664
Net Increase	2,570,341	5,977,833	110,375,875	66,829,330
<b>Net Assets</b>				
Beginning of Year	28,122,728	22,144,895	307,115,713	240,286,383
End of Year	\$ 30,693,069	\$ 28,122,728	\$ 417,491,588	\$ 307,115,713

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

(b) Supplementary data.

See accompanying notes to financial statements.

FUTURE SCHOLAR 529 COLLEGE SAVINGS PLAN  
DIRECT PROGRAM  
Notes to Financial Statements  
June 30, 2011

**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 Distributors, Inc., a wholly-owned subsidiary of Ameriprise Financial, Inc. (“Ameriprise Financial”), serves as the Program Manager.

The Direct Program is designed for self-directed investors and is offered only to (i) account owners who are South Carolina residents; (ii) account owners who are residents of other states but who have designated a South Carolina resident as Designated Beneficiary; (iii) employees of Bank of America, N.A. and its affiliates, and employees of BFDS; (iv) employees of the State of South Carolina, including school districts, regardless of residency; and (v) any other account owners who the Treasurer and Program Manager deem eligible. The Direct Program offers ten portfolios of which six are allocation portfolios and four are single fund portfolios (collectively the “Portfolios”). The allocation portfolios invest in a mix of Columbia Funds equity and fixed income funds advised by Columbia or its affiliates and a money market fund (the “Underlying Funds”). The single fund portfolios invest in a single Underlying Fund advised by Columbia or its affiliates, except for the Conservative Portfolio, which invests in one or more funding agreements or similar instruments.

The Program consists of ten Portfolios which were invested in class Z shares of the following underlying mutual funds (or Capital Class shares in the case of BofA Cash Reserves (formerly, Columbia Cash Reserves) as of June 30, 2011:

**Aggressive Growth Portfolio** was invested in Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund, Columbia Small Cap Index Fund and Columbia Multi-Advisor International Equity Fund

**Growth Portfolio** was invested in Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund, Columbia Small Cap Index Fund, Columbia Intermediate Bond Fund, Columbia Short Term Bond Fund, Columbia Multi-Advisor International Equity Fund, BofA Cash Reserves and Columbia U.S. Treasury Index Fund

**Balanced Growth Portfolio** was invested in Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund, Columbia Small Cap Index Fund, Columbia Intermediate Bond Fund, Columbia Short Term Bond Fund, Columbia Multi-Advisor International Equity Fund, BofA Cash Reserves and Columbia U.S. Treasury Index Fund

**Balanced Portfolio** was invested in Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund, Columbia Small Cap Index Fund, Columbia Intermediate Bond Fund, Columbia Short

Term Bond Fund, Columbia Multi-Advisor International Equity Fund, BofA Cash Reserves and Columbia U.S. Treasury Index Fund

**Income & Growth Portfolio** was invested in Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund, Columbia Small Cap Index Fund, Columbia Intermediate Bond Fund, Columbia Short Term Bond Fund, Columbia Multi-Advisor International Equity Fund, BofA Cash Reserves and Columbia U.S. Treasury Index Fund

**Income Portfolio** was invested in Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund, Columbia Intermediate Bond Fund, Columbia Short Term Bond Fund, Columbia Multi-Advisor International Equity Fund, BofA Cash Reserves and Columbia U.S. Treasury Index Fund

**Large Cap Index Portfolio** was invested in Columbia Large Cap Index Fund

**Mid Cap Index Portfolio** was invested in Columbia Mid Cap Index Fund

**Small Cap Index Portfolio** was invested in Columbia Small Cap Index Fund

**Conservative Portfolio** was invested in an Aegon Guaranteed Investment Contract (“GIC”) and in the Columbia Money Market Fund

Financial statements of the underlying mutual 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 website at <http://www.sec.gov>.

These financial statements present only the Future Scholar 529 College Savings Plan Direct Program, and do not purport to, and do not, present the fiduciary net assets or changes in fiduciary net assets of the Trust Fund, the Future Scholar 529 College Savings Plan Financial Adviser 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.

In December 2010, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued and is effective for fiscal periods beginning after December 15, 2011. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. Management is currently evaluating the impact the Statement will have on the financial statements when adopted.

### **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 mutual 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 account Portfolio is reinvested in additional units of the Portfolio.

### **Security Valuation**

Investments in the underlying mutual 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 Plan's investments represent shares of the underlying mutual 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 Conservative Portfolio invests in funding agreements or similar instruments issued by one or more insurance companies. There is a risk that an insurance company could fail to perform its obligations under a funding agreement for financial or other reasons.

### **Units**

The beneficial interests of each account owner and beneficiary in the net assets of the Portfolios are represented by units. Contributions and withdrawals from the Portfolios are subject to terms and limitations defined in the Participation Agreement and Program Description. Contributions and withdrawals are recorded upon receipt of account owner's instructions, based upon the next determined net asset value per unit. Net asset 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. Under the terms of the Management Agreement, the Program Manager is entitled to receive a management fee, calculated daily and payable monthly, at the maximum annual rate of 0.20% of each Portfolio's average daily net assets. The Treasurer also receives a fee, paid by the Program Manager and not by the Portfolios, in order to cover the costs of administering the Program. The fee is calculated and paid monthly, and is at the annual rate of 0.10% of the average daily net assets of each Portfolio, or \$100,000, whichever is greater.

Under the Management Agreement, Columbia Management Investment Advisers, LLC ("Columbia"), a wholly-owned subsidiary of Ameriprise Financial and an affiliate of the Program Manager, will assist the Program Manager in providing investment services to the Program. The Program Manager pays Columbia out of its management fee.

Transfer agent, legal, audit, printing and other expenses incurred by the Portfolios are paid by the Program Manager out of its management fee.

**Annual Maintenance Fees**

Each Account is charged a \$25 annual fee for account maintenance, which is waived under certain circumstances. The account maintenance fee will be assessed annually on or about the anniversary of the date when the account was established and each year thereafter until the account is closed. The fee, which will be assessed against the Portfolio which represents the largest percentage allocation of an account, is reflected in the financial statements as a redemption of Portfolio units.

#### 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, 2011 and 2010.

<b>2011</b> <i>(In thousands)</i>					
<b>Portfolio</b>	<b>Value at End of the Year</b>	<b>Less Cost of Investments Purchased During the Year</b>	<b>Plus Proceeds of Investments Sold During the Year</b>	<b>Less Value at Beginning of the Year</b>	<b>Change in Value of Investments During the Year*</b>
Aggressive Growth Portfolio	\$96,599	\$(18,796)	\$13,160	\$(69,447)	\$21,516
Growth Portfolio	65,381	(10,189)	3,682	(45,741)	13,133
Balanced Growth Portfolio	66,239	(14,969)	5,957	(46,674)	10,554
Balanced Portfolio	64,554	(14,225)	5,688	(48,518)	7,498
Income and Growth Portfolio	30,702	(9,557)	3,140	(22,119)	2,167
Income Portfolio	31,285	(12,001)	6,181	(24,717)	748
Large Cap Index Portfolio	14,558	(1,742)	638	(10,438)	3,016
Mid Cap Index Portfolio	13,492	(2,504)	772	(8,736)	3,024
Small Cap Index Portfolio	3,871	(944)	412	(2,454)	885
Conservative Portfolio	30,699	(8,214)	5,623	(28,108)	0
<b>Total*</b>	<b>\$417,380</b>	<b>\$(93,141)</b>	<b>\$45,253</b>	<b>\$(306,952)</b>	<b>\$62,541</b>

\* Amounts may not total due to rounding.

<b>2010</b> <i>(In thousands)</i>					
<b>Portfolio</b>	<b>Value at End of the Year</b>	<b>Less Cost of Investments Purchased During the Year</b>	<b>Plus Proceeds of Investments Sold During the Year</b>	<b>Less Value at Beginning of the Year</b>	<b>Change in Value of Investments During the Year*</b>
Aggressive Growth Portfolio	\$69,447	\$(17,893)	\$14,568	\$(56,006)	\$10,116
Growth Portfolio	45,741	(9,985)	3,535	(34,703)	4,588
Balanced Growth Portfolio	46,674	(9,514)	6,163	(38,631)	4,692
Balanced Portfolio	48,518	(11,904)	3,796	(36,900)	3,510
Income and Growth Portfolio	22,119	(7,357)	3,166	(16,616)	1,312
Income Portfolio	24,717	(10,898)	5,743	(18,759)	803
Large Cap Index Portfolio	10,438	(1,613)	655	(8,359)	1,121
Mid Cap Index Portfolio	8,736	(1,267)	693	(6,501)	1,661
Small Cap Index Portfolio	2,454	(675)	73	(1,512)	340
Conservative Portfolio	28,108	(8,783)	2,827	(22,152)	0
<b>Total*</b>	<b>\$306,952</b>	<b>\$(79,889)</b>	<b>\$41,219</b>	<b>\$(240,139)</b>	<b>\$28,143</b>

\* Amounts may not total due to rounding.

## Note 5. Disclosure of Significant Risks and Contingencies

### Foreign Securities

Certain underlying mutual 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, 2011 of underlying mutual funds, by Portfolio, which have the majority of their investments exposed to foreign securities.

<u>Portfolio</u>	<u>Underlying fund</u>	<u>Value</u>
Aggressive Growth Portfolio	Columbia Multi-Advisor International Equity Fund	\$16,600,300
Growth Portfolio	Columbia Multi-Advisor International Equity Fund	9,915,539
Balanced Growth Portfolio	Columbia Multi-Advisor International Equity Fund	8,036,018
Balanced Portfolio	Columbia Multi-Advisor International Equity Fund	5,223,614
Income and Growth Portfolio	Columbia Multi-Advisor International Equity Fund	1,252,752
Income Portfolio	Columbia Multi-Advisor International Equity Fund	648,703

### Interest Rate and Credit Risk

Certain underlying mutual 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 mutual funds in which the Portfolios invest are not rated by any nationally recognized statistical rating organization.

### Industry Focus

Certain underlying mutual funds may focus their investments in certain industries, subjecting them to greater risk than a fund that is more diversified.

### Non-Payment Risk

Certain underlying mutual 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. Non-payment 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.

### **Legal Proceedings**

In June 2004, an action captioned *John E. Gallus et al. v. American Express Financial Corp. and American Express Financial Advisors Inc.* was filed in the United States District Court for the District of Arizona. The plaintiffs allege that they are investors in several American Express Company mutual funds (branded as Columbia or RiverSource) and they purport to bring the action derivatively on behalf of those funds under the Investment Company Act of 1940. The plaintiffs allege that fees allegedly paid to the defendants by the funds for investment advisory and administrative services are excessive. The plaintiffs seek remedies including restitution and rescission of investment advisory and distribution agreements. The plaintiffs voluntarily agreed to transfer this case to the United States District Court for the District of Minnesota (the District Court). In response to defendants' motion to dismiss the complaint, the District Court dismissed one of plaintiffs' four claims and granted plaintiffs limited discovery. Defendants moved for summary judgment in April 2007. Summary judgment was granted in the defendants' favor on July 9, 2007. The plaintiffs filed a notice of appeal with the Eighth Circuit Court of Appeals (the Eighth Circuit) on August 8, 2007. On April 8, 2009, the Eighth Circuit reversed summary judgment and remanded to the District Court for further proceedings. On August 6, 2009, defendants filed a writ of certiorari with the U.S. Supreme Court (the Supreme Court), asking the Supreme Court to stay the District Court proceedings while the Supreme Court considers and rules in a case captioned *Jones v. Harris Associates*, which involves issues of law similar to those presented in the Gallus case. On March 30, 2010, the Supreme Court issued its ruling in *Jones v. Harris Associates*, and on April 5, 2010, the Supreme Court vacated the Eighth Circuit's decision in the Gallus case and remanded the case to the Eighth Circuit for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On June 4, 2010, the Eighth Circuit remanded the Gallus case to the District Court for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On December 9, 2010, the District Court reinstated its July 9, 2007 summary judgment order in favor of the defendants. On January 10, 2011 plaintiffs filed a notice of appeal with the Eighth Circuit. In response to the plaintiffs' opening appellate brief filed on March 18, 2011, the defendants filed a response brief on May 4, 2011 with the Eighth Circuit. The plaintiffs filed a reply brief on May 26, 2011.

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 (SEC) 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 <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 Boards of Directors/Trustees of the Columbia mutual funds.

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.