

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

Financial Statements
June 30, 2016

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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, 2016. 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 \$69.1 million in net contributions from participants during the year ended June 30, 2016.

The Program had an increase of \$17.7 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, 2016. 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, 2016 and June 30, 2015.

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|------------------------------------|-----------------------------|-----------------------------|
| Investments | \$878,664,576 | \$791,819,675 |
| Cash, receivables and other assets | 1,086,430 | 938,265 |
| Total Assets | <u>\$879,751,006</u> | <u>\$792,757,940</u> |
| Payables | 1,134,984 | 990,432 |
| Total Liabilities | <u>\$ 1,134,984</u> | <u>\$ 990,432</u> |
| Total Net Position | <u>\$878,616,022</u> | <u>\$791,767,508</u> |

Net position represent cumulative contributions from participants plus net changes from operations less withdrawals.

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 distributions 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, 2016 and the year ended June 30, 2015.

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|-----------------------------|-----------------------------|
| Additions: | | |
| Contributions | \$295,409,307 | \$273,499,735 |
| Net change in appreciation (depreciation) in value of investments | (2,839,481) | 693,889 |
| Net realized gain (loss) | (4,032,090) | 2,476,869 |
| Capital gains distributions from underlying fund shares | 9,944,328 | 8,019,400 |
| Dividend and interest income | 14,642,205 | 14,435,990 |
| Total Additions | <u>\$313,124,269</u> | <u>\$299,125,883</u> |
| Deductions: | | |
| Withdrawals | 226,275,755 | 209,676,986 |
| Total Deductions | <u>\$226,275,755</u> | <u>\$209,676,986</u> |
| Change in Net Position | <u>86,848,514</u> | <u>89,448,897</u> |
| Net Position, Beginning of Period | 791,767,508 | 702,318,611 |
| Net Position, End of Period | <u>\$878,616,022</u> | <u>\$791,767,508</u> |



Independent Auditor's Report

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

We have audited the accompanying statement of fiduciary net position as of June 30, 2016 and the related statement of changes in fiduciary net position for each of the two years in the period then ended 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"), 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.

Opinion

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, 2016, 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.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016 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* in considering the Program's internal control over financial reporting and compliance.

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, the Future Scholar 529 College Savings Plan Financial Advisor Program or the State of South Carolina.

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.

PricewaterhouseCoopers LLP

September 23, 2016

Future Scholar 529 College Savings Plan Direct Program
Statement of Fiduciary Net Position
June 30, 2016

| | Future Scholar Aggressive Growth Portfolio | Future Scholar Growth Portfolio | Future Scholar Moderate Growth Portfolio |
|--|---|--|---|
| Assets | | | |
| Investments, at value | \$ 157,361,896 | \$ 128,976,066 | \$ 143,294,904 |
| Cash | - | - | - |
| Receivable for securities sold | - | - | - |
| Receivable for units sold | 33,486 | 22,144 | 22,426 |
| Receivable for accrued income | 30,011 | 50,356 | 106,653 |
| Other assets | - | - | 40,844 |
| Total assets | <u>157,425,393</u> | <u>129,048,566</u> | <u>143,464,827</u> |
| Liabilities | | | |
| Due to custodian | - | - | - |
| Payable for securities purchased | 52,424 | 72,503 | 129,086 |
| Payable for units redeemed | 46,382 | - | - |
| Payable for distributions of net investment income | - | - | - |
| Other liabilities | <u>41,401</u> | <u>50,283</u> | <u>-</u> |
| Total liabilities | <u>140,207</u> | <u>122,786</u> | <u>129,086</u> |
| Net position | <u>\$ 157,285,186</u> | <u>\$ 128,925,780</u> | <u>\$ 143,335,741</u> |
| Units outstanding | <u>6,726,403</u> | <u>5,586,607</u> | <u>6,439,769</u> |
| Value per unit | <u>\$ 23.38</u> | <u>\$ 23.08</u> | <u>\$ 22.26</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, 2016

| | Future Scholar Moderate Portfolio | Future Scholar Moderately Conservative Portfolio | Future Scholar Conservative Portfolio |
|--|--|---|--|
| Assets | | | |
| Investments, at value | \$ 148,423,764 | \$ 76,053,373 | \$ 71,233,380 |
| Cash | - | - | - |
| Receivable for securities sold | - | - | - |
| Receivable for units sold | 29,354 | 15,333 | 140,345 |
| Receivable for accrued income | 130,835 | 75,019 | 70,517 |
| Other assets | - | - | - |
| Total assets | 148,583,953 | 76,143,725 | 71,444,242 |
| Liabilities | | | |
| Due to custodian | - | - | - |
| Payable for securities purchased | 160,198 | 76,911 | 153,995 |
| Payable for units redeemed | - | 13,445 | 56,821 |
| Payable for distributions of net investment income | - | - | - |
| Other liabilities | - | - | - |
| Total liabilities | 160,198 | 90,356 | 210,816 |
| Net position | \$ 148,423,755 | \$ 76,053,369 | \$ 71,233,426 |
| Units outstanding | 6,945,958 | 4,133,464 | 4,457,537 |
| Value per unit | \$ 21.37 | \$ 18.40 | \$ 15.98 |

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, 2016

| | Future Scholar College Portfolio | Future Scholar Large Cap Index Portfolio | Future Scholar Mid Cap Index Portfolio |
|--|---|---|---|
| Assets | | | |
| Investments, at value | \$ 18,040,199 | \$ 35,935,730 | \$ 28,055,993 |
| Cash | - | - | - |
| Receivable for securities sold | - | - | - |
| Receivable for units sold | 100,592 | 4,202 | 4,077 |
| Receivable for accrued income | 19,415 | - | - |
| Other assets | - | - | - |
| Total assets | <u>18,160,206</u> | <u>35,939,932</u> | <u>28,060,070</u> |
| Liabilities | | | |
| Due to custodian | - | - | - |
| Payable for securities purchased | 112,536 | 4,202 | 1,179 |
| Payable for units redeemed | 7,472 | 12,512 | 19,960 |
| Payable for distributions of net investment income | - | - | - |
| Other liabilities | - | - | - |
| Total liabilities | <u>120,008</u> | <u>16,714</u> | <u>21,139</u> |
| Net position | <u>\$ 18,040,198</u> | <u>\$ 35,923,218</u> | <u>\$ 28,038,931</u> |
| Units outstanding | <u>1,737,317</u> | <u>1,547,054</u> | <u>853,657</u> |
| Value per unit | <u>\$ 10.38</u> | <u>\$ 23.22</u> | <u>\$ 32.85</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, 2016

| | Future Scholar Small Cap Index Portfolio | Future Scholar International Equity Index Portfolio | Future Scholar Bond Index Portfolio |
|--|---|--|--|
| Assets | | | |
| Investments, at value | \$ 11,528,593 | \$ 4,919,809 | \$ 1,413,445 |
| Cash | - | - | - |
| Receivable for securities sold | - | - | - |
| Receivable for units sold | 646 | 228 | 45,926 |
| Receivable for accrued income | - | - | 2,754 |
| Other assets | - | - | - |
| Total assets | <u>11,529,239</u> | <u>4,920,037</u> | <u>1,462,125</u> |
| Liabilities | | | |
| Due to custodian | - | - | - |
| Payable for securities purchased | 646 | 228 | 3,082 |
| Payable for units redeemed | 14,498 | 11,819 | - |
| Payable for distributions of net investment income | - | - | - |
| Other liabilities | - | 2,561 | 225 |
| Total liabilities | <u>15,144</u> | <u>14,608</u> | <u>3,307</u> |
| Net position | <u>\$ 11,514,095</u> | <u>\$ 4,905,429</u> | <u>\$ 1,458,818</u> |
| Units outstanding | <u>493,610</u> | <u>433,852</u> | <u>133,087</u> |
| Value per unit | <u>\$ 23.33</u> | <u>\$ 11.31</u> | <u>\$ 10.96</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, 2016

| | Future Scholar Short Term Bond Index Portfolio | Future Scholar TIPS Bond ETF Portfolio | Future Scholar Ultra Short Term Bond Portfolio |
|--|---|---|---|
| Assets | | | |
| Investments, at value | \$ 2,160,734 | \$ 480,797 | \$ 638,297 |
| Cash | - | 257 | - |
| Receivable for securities sold | - | - | - |
| Receivable for units sold | 24,527 | 21,340 | 50 |
| Receivable for accrued income | 2,643 | - | 441 |
| Other assets | - | - | 41 |
| Total assets | <u>2,187,904</u> | <u>502,394</u> | <u>638,829</u> |
| Liabilities | | | |
| Due to custodian | - | - | - |
| Payable for securities purchased | 2,893 | 117 | 491 |
| Payable for units redeemed | - | - | - |
| Payable for distributions of net investment income | - | - | - |
| Other liabilities | - | - | - |
| Total liabilities | <u>2,893</u> | <u>117</u> | <u>491</u> |
| Net position | <u>\$ 2,185,011</u> | <u>\$ 502,277</u> | <u>\$ 638,338</u> |
| Units outstanding | <u>207,686</u> | <u>50,398</u> | <u>62,670</u> |
| Value per unit | <u>\$ 10.52</u> | <u>\$ 9.97</u> | <u>\$ 10.19</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, 2016

| | Future Scholar Legacy Capital Preservation Portfolio | Future Scholar Bank Deposit Portfolio | Total Future Scholar 529 Savings Plan Direct Program (a) |
|--|---|--|---|
| Assets | | | |
| Investments, at value | \$ 34,894,636 | \$ 15,252,960 | \$ 878,664,576 |
| Cash | - | - | 257 |
| Receivable for securities sold | 49,406 | - | 49,406 |
| Receivable for units sold | 16,566 | 21,142 | 502,384 |
| Receivable for accrued income | 193 | 4,661 | 493,498 |
| Other assets | - | - | 40,885 |
| Total assets | <u>34,960,801</u> | <u>15,278,763</u> | <u>879,751,006</u> |
| Liabilities | | | |
| Due to custodian | 3,093 | - | 3,093 |
| Payable for securities purchased | - | 11,570 | 782,061 |
| Payable for units redeemed | 48,736 | 4,955 | 236,600 |
| Payable for distributions of net investment income | 14,143 | 4,617 | 18,760 |
| Other liabilities | - | - | 94,470 |
| Total liabilities | <u>65,972</u> | <u>21,142</u> | <u>1,134,984</u> |
| Net position | <u>\$ 34,894,829</u> | <u>\$ 15,257,621</u> | <u>\$ 878,616,022</u> |
| Units outstanding | <u>34,894,822</u> | <u>15,257,621</u> | |
| 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
Statements of Changes in Fiduciary Net Position

| | <u>Future Scholar Aggressive Growth Portfolio</u> | | <u>Future Scholar Growth Portfolio</u> | |
|---|---|-------------------------------------|--|-------------------------------------|
| | <u>Year ended June 30, 2016</u> | <u>Year ended June 30, 2015</u> | <u>Year ended June 30, 2016</u> | <u>Year ended June 30, 2015</u> |
| Additions | | | | |
| Contributions - units sold | \$ 29,169,331 | \$ 30,020,673 | \$ 38,563,420 | \$ 39,099,338 |
| Increase (decrease) from investment operations | | | | |
| Dividend income | 2,845,036 | 3,105,913 | 2,395,747 | 2,421,788 |
| Interest income | - | - | - | - |
| Net realized gain (loss) | (1,739,258) | 1,596,183 | (807,450) | 445,781 |
| Capital gain distributions from underlying fund shares | 2,308,404 | 2,055,531 | 1,563,177 | 1,318,256 |
| Net change in appreciation (depreciation) in value of investments | <u>(3,027,707)</u> | <u>(568,497)</u> | <u>(1,235,130)</u> | <u>351,022</u> |
| Net increase (decrease) in net assets resulting from operations | <u>386,475</u> | <u>6,189,130</u> | <u>1,916,344</u> | <u>4,536,847</u> |
| Total additions | <u>29,555,806</u> | <u>36,209,803</u> | <u>40,479,764</u> | <u>43,636,185</u> |
| Deductions | | | | |
| Withdrawals - units redeemed | <u>\$ 26,891,046</u> | <u>\$ 28,358,434</u> | <u>\$ 30,653,528</u> | <u>\$ 33,404,204</u> |
| Net increase (decrease) | \$ 2,664,760 | \$ 7,851,369 | \$ 9,826,236 | \$ 10,231,981 |
| Net position at beginning of year | <u>154,620,426</u> | <u>146,769,057</u> | <u>119,099,544</u> | <u>108,867,563</u> |
| Net position at end of year | <u>\$ 157,285,186</u> | <u>\$ 154,620,426</u> | <u>\$ 128,925,780</u> | <u>\$ 119,099,544</u> |

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

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

| | <u>Future Scholar Moderate Growth Portfolio</u> | | <u>Future Scholar Moderate Portfolio</u> | |
|---|---|-------------------------------------|--|-------------------------------------|
| | <u>Year ended June 30, 2016</u> | <u>Year ended June 30, 2015</u> | <u>Year ended June 30, 2016</u> | <u>Year ended June 30, 2015</u> |
| Additions | | | | |
| Contributions - units sold | \$ 42,837,483 | \$ 43,706,018 | \$ 46,902,156 | \$ 41,723,204 |
| Increase (decrease) from investment operations | | | | |
| Dividend income | 2,766,112 | 2,836,952 | 2,791,265 | 2,675,976 |
| Interest income | - | - | - | - |
| Net realized gain (loss) | (599,046) | 342,305 | (124,537) | 95,307 |
| Capital gain distributions from underlying fund shares | 1,510,435 | 1,235,631 | 1,289,338 | 1,006,646 |
| Net change in appreciation (depreciation) in value of investments | <u>21,009</u> | <u>29,043</u> | <u>754,004</u> | <u>244,489</u> |
| Net increase (decrease) in net assets resulting from operations | <u>3,698,510</u> | <u>4,443,931</u> | <u>4,710,070</u> | <u>4,022,418</u> |
| Total additions | <u>46,535,993</u> | <u>48,149,949</u> | <u>51,612,226</u> | <u>45,745,622</u> |
| Deductions | | | | |
| Withdrawals - units redeemed | <u>\$ 36,465,036</u> | <u>\$ 34,405,489</u> | <u>\$ 32,769,953</u> | <u>\$ 29,218,258</u> |
| Net increase (decrease) | \$ 10,070,957 | \$ 13,744,460 | \$ 18,842,273 | \$ 16,527,364 |
| Net position at beginning of year | <u>133,264,784</u> | <u>119,520,324</u> | <u>129,581,482</u> | <u>113,054,118</u> |
| Net position at end of year | <u>\$ 143,335,741</u> | <u>\$ 133,264,784</u> | <u>\$ 148,423,755</u> | <u>\$ 129,581,482</u> |

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

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

| | <u>Future Scholar Moderately Conservative Portfolio</u> | | <u>Future Scholar Conservative Portfolio</u> | |
|---|---|-------------------------------------|--|-------------------------------------|
| | <u>Year ended June 30, 2016</u> | <u>Year ended June 30, 2015</u> | <u>Year ended June 30, 2016</u> | <u>Year ended June 30, 2015</u> |
| Additions | | | | |
| Contributions - units sold | \$ 39,709,749 | \$ 31,564,693 | \$ 38,767,207 | \$ 32,882,797 |
| Increase (decrease) from investment operations | | | | |
| Dividend income | 1,205,978 | 1,045,831 | 966,170 | 772,535 |
| Interest income | - | - | - | - |
| Net realized gain (loss) | (178,344) | 1,438 | (178,866) | 67,122 |
| Capital gain distributions from underlying fund shares | 398,230 | 295,251 | 123,665 | 103,322 |
| Net change in appreciation (depreciation) in value of investments | <u>1,031,430</u> | <u>(74,600)</u> | <u>1,415,609</u> | <u>(76,386)</u> |
| Net increase (decrease) in net assets resulting from operations | <u>2,457,294</u> | <u>1,267,920</u> | <u>2,326,578</u> | <u>866,593</u> |
| Total additions | <u>42,167,043</u> | <u>32,832,613</u> | <u>41,093,785</u> | <u>33,749,390</u> |
| Deductions | | | | |
| Withdrawals - units redeemed | <u>\$ 29,154,944</u> | <u>\$ 22,844,759</u> | <u>\$ 29,881,717</u> | <u>\$ 25,066,357</u> |
| Net increase (decrease) | \$ 13,012,099 | \$ 9,987,854 | \$ 11,212,068 | \$ 8,683,033 |
| Net position at beginning of year | <u>63,041,270</u> | <u>53,053,416</u> | <u>60,021,358</u> | <u>51,338,325</u> |
| Net position at end of year | <u>\$ 76,053,369</u> | <u>\$ 63,041,270</u> | <u>\$ 71,233,426</u> | <u>\$ 60,021,358</u> |

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

Future Scholar 529 College Savings Plan Direct Program
Statements 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, 2016</u> | <u>Year ended June 30, 2015</u> | <u>Year ended June 30, 2016</u> | <u>Year ended June 30, 2015</u> |
| Additions | | | | |
| Contributions - units sold | \$ 15,400,660 | \$ 10,714,255 | \$ 5,782,048 | \$ 6,698,099 |
| Increase (decrease) from investment operations | | | | |
| Dividend income | 184,087 | 101,883 | 627,727 | 680,490 |
| Interest income | - | - | - | - |
| Net realized gain (loss) | (66,578) | 1,822 | (46,103) | 3,298 |
| Capital gain distributions from underlying fund shares | 9,494 | 2,610 | - | 94,527 |
| Net change in appreciation (depreciation) in value of investments | <u>313,001</u> | <u>(93,855)</u> | <u>788,724</u> | <u>1,264,723</u> |
| Net increase (decrease) in net assets resulting from operations | <u>440,004</u> | <u>12,460</u> | <u>1,370,348</u> | <u>2,043,038</u> |
| Total additions | <u><u>15,840,664</u></u> | <u><u>10,726,715</u></u> | <u><u>7,152,396</u></u> | <u><u>8,741,137</u></u> |
| Deductions | | | | |
| Withdrawals - units redeemed | <u><u>\$ 9,089,721</u></u> | <u><u>\$ 5,498,402</u></u> | <u><u>\$ 3,221,579</u></u> | <u><u>\$ 4,091,234</u></u> |
| Net increase (decrease) | \$ 6,750,943 | \$ 5,228,313 | \$ 3,930,817 | \$ 4,649,903 |
| Net position at beginning of year | <u>11,289,255</u> | <u>6,060,942</u> | <u>31,992,401</u> | <u>27,342,498</u> |
| Net position at end of year | <u><u>\$ 18,040,198</u></u> | <u><u>\$ 11,289,255</u></u> | <u><u>\$ 35,923,218</u></u> | <u><u>\$ 31,992,401</u></u> |

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

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

| | Future Scholar | | Future Scholar | |
|---|--------------------------------|----------------------|----------------------------------|----------------------|
| | Mid Cap Index Portfolio | | Small Cap Index Portfolio | |
| | Year ended | Year ended | Year ended | Year ended |
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Additions | | | | |
| Contributions - units sold | \$ 3,860,275 | \$ 5,157,671 | \$ 2,003,569 | \$ 2,251,833 |
| Increase (decrease) from investment operations | | | | |
| Dividend income | 322,358 | 270,921 | 132,428 | 99,451 |
| Interest income | - | - | - | - |
| Net realized gain (loss) | (109,649) | (15,730) | (96,894) | (23,435) |
| Capital gain distributions from underlying fund shares | 1,882,272 | 1,259,185 | 856,225 | 646,219 |
| Net change in appreciation (depreciation) in value of investments | (1,680,410) | (60,858) | (875,133) | (94,896) |
| Net increase (decrease) in net assets resulting from operations | 414,571 | 1,453,518 | 16,626 | 627,339 |
| Total additions | <u>4,274,846</u> | <u>6,611,189</u> | <u>2,020,195</u> | <u>2,879,172</u> |
| Deductions | | | | |
| Withdrawals - units redeemed | <u>\$ 2,183,186</u> | <u>\$ 3,192,192</u> | <u>\$ 1,076,429</u> | <u>\$ 1,656,595</u> |
| Net increase (decrease) | \$ 2,091,660 | \$ 3,418,997 | \$ 943,766 | \$ 1,222,577 |
| Net position at beginning of year | <u>25,947,271</u> | <u>22,528,274</u> | <u>10,570,329</u> | <u>9,347,752</u> |
| Net position at end of year | <u>\$ 28,038,931</u> | <u>\$ 25,947,271</u> | <u>\$ 11,514,095</u> | <u>\$ 10,570,329</u> |

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

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

| | Future Scholar International Equity Index Portfolio | | Future Scholar Bond Index Portfolio | |
|--|--|-------------------------------------|--|-------------------------------------|
| | Year ended June 30, 2016 | Year ended June 30, 2015 | Year ended June 30, 2016 | Year ended June 30, 2015 |
| Additions | | | | |
| Contributions - units sold | \$ 1,603,136 | \$ 1,621,473 | \$ 735,347 | \$ 628,574 |
| Increase (decrease) from investment operations | | | | |
| Dividend income | 129,918 | 110,012 | 31,089 | 23,791 |
| Interest income | - | - | - | - |
| Net realized gain (loss) | (57,673) | (23,407) | (9,635) | (3,616) |
| Capital gain distributions from underlying fund shares | - | - | 1,745 | - |
| Net change in appreciation (depreciation) in value of investments | <u>(454,881)</u> | <u>(209,452)</u> | <u>52,551</u> | <u>(8,435)</u> |
| Net increase (decrease) in net assets resulting from operations | <u>(382,636)</u> | <u>(122,847)</u> | <u>75,750</u> | <u>11,740</u> |
| Total additions | <u>1,220,500</u> | <u>1,498,626</u> | <u>811,097</u> | <u>640,314</u> |
| Deductions | | | | |
| Withdrawals - units redeemed | <u>\$ 574,102</u> | <u>\$ 487,401</u> | <u>\$ 509,571</u> | <u>\$ 169,867</u> |
| Net increase (decrease) | \$ 646,398 | \$ 1,011,225 | \$ 301,526 | \$ 470,447 |
| Net position at beginning of year | <u>4,259,031</u> | <u>3,247,806</u> | <u>1,157,292</u> | <u>686,845</u> |
| Net position at end of year | <u>\$ 4,905,429</u> | <u>\$ 4,259,031</u> | <u>\$ 1,458,818</u> | <u>\$ 1,157,292</u> |

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

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

| | Future Scholar Short Term Bond Index Portfolio | | Future Scholar TIPS Bond ETF Portfolio | |
|---|---|-------------------------------------|---|-------------------------------------|
| | Year ended June 30, 2016 | Year ended June 30, 2015 | Year ended June 30, 2016 | Year ended June 30, 2015 |
| Additions | | | | |
| Contributions - units sold | \$ 638,444 | \$ 1,158,892 | \$ 116,908 | \$ 176,382 |
| Increase (decrease) from investment operations | | | | |
| Dividend income | 28,492 | 18,745 | 1,818 | 3,919 |
| Interest income | - | - | - | - |
| Net realized gain (loss) | (4,876) | (2,338) | (12,968) | (7,679) |
| Capital gain distributions from underlying fund shares | 1,343 | 2,222 | - | - |
| Net change in appreciation (depreciation) in value of investments | <u>26,795</u> | <u>(1,014)</u> | <u>29,287</u> | <u>(7,031)</u> |
| Net increase (decrease) in net assets resulting from operations | <u>51,754</u> | <u>17,615</u> | <u>18,137</u> | <u>(10,791)</u> |
| Total additions | <u><u>690,198</u></u> | <u><u>1,176,507</u></u> | <u><u>135,045</u></u> | <u><u>165,591</u></u> |
| Deductions | | | | |
| Withdrawals - units redeemed | <u>\$ 491,212</u> | <u>\$ 237,972</u> | <u>\$ 127,759</u> | <u>\$ 121,506</u> |
| Net increase (decrease) | \$ 198,986 | \$ 938,535 | \$ 7,286 | \$ 44,085 |
| Net position at beginning of year | <u>1,986,025</u> | <u>1,047,490</u> | <u>494,991</u> | <u>450,906</u> |
| Net position at end of year | <u><u>\$ 2,185,011</u></u> | <u><u>\$ 1,986,025</u></u> | <u><u>\$ 502,277</u></u> | <u><u>\$ 494,991</u></u> |

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

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

| | Future Scholar Ultra Short Term Bond Portfolio | | Future Scholar Legacy Capital Preservation Portfolio | |
|---|---|-------------------------------------|---|-------------------------------------|
| | Year ended June 30, 2016 | Year ended June 30, 2015 | Year ended June 30, 2016 | Year ended June 30, 2015 |
| Additions | | | | |
| Contributions - units sold | \$ 500,028 | \$ 365,445 | \$ 14,021,568 | \$ 15,828,195 |
| Increase (decrease) from investment operations | | | | |
| Dividend income | 2,908 | 1,405 | 2,163 | 1,481 |
| Interest income | - | - | 176,748 | 256,673 |
| Net realized gain (loss) | (213) | (182) | - | - |
| Capital gain distributions from underlying fund shares | - | - | - | - |
| Net change in appreciation (depreciation) in value of investments | 1,370 | (364) | - | - |
| Net increase (decrease) in net assets resulting from operations | <u>4,065</u> | <u>859</u> | <u>178,911</u> | <u>258,154</u> |
| Total additions | <u>504,093</u> | <u>366,304</u> | <u>14,200,479</u> | <u>16,086,349</u> |
| Deductions | | | | |
| Withdrawals - units redeemed | <u>\$ 318,446</u> | <u>\$ 248,558</u> | <u>\$ 13,547,552</u> | <u>\$ 14,551,760</u> |
| Net increase (decrease) | \$ 185,647 | \$ 117,746 | \$ 652,927 | \$ 1,534,589 |
| Net position at beginning of year | <u>452,691</u> | <u>334,945</u> | <u>34,241,902</u> | <u>32,707,313</u> |
| Net position at end of year | <u>\$ 638,338</u> | <u>\$ 452,691</u> | <u>\$ 34,894,829</u> | <u>\$ 34,241,902</u> |

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

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

| | <u>Future Scholar Bank Deposit Portfolio</u> | | <u>Total Future Scholar 529 College Savings Plan Direct Program (a)</u> | |
|---|--|-------------------------------------|---|-------------------------------------|
| | <u>Year ended June 30, 2016</u> | <u>Year ended June 30, 2015</u> | <u>Year ended June 30, 2016</u> | <u>Year ended June 30, 2015</u> |
| Additions | | | | |
| Contributions - units sold | \$ 14,797,978 | \$ 9,902,193 | \$ 295,409,307 | \$ 273,499,735 |
| Increase (decrease) from investment operations | | | | |
| Dividend income | 32,161 | 8,224 | 14,465,457 | 14,179,317 |
| Interest income | - | - | 176,748 | 256,673 |
| Net realized gain (loss) | - | - | (4,032,090) | 2,476,869 |
| Capital gain distributions from underlying fund shares | - | - | 9,944,328 | 8,019,400 |
| Net change in appreciation (depreciation) in value of investments | - | - | (2,839,481) | 693,889 |
| Net increase (decrease) in net assets resulting from operations | <u>32,161</u> | <u>8,224</u> | <u>17,714,962</u> | <u>25,626,148</u> |
| Total additions | <u>14,830,139</u> | <u>9,910,417</u> | <u>313,124,269</u> | <u>299,125,883</u> |
| Deductions | | | | |
| Withdrawals - units redeemed | <u>\$ 9,319,974</u> | <u>\$ 6,123,998</u> | <u>\$ 226,275,755</u> | <u>\$ 209,676,986</u> |
| Net increase (decrease) | \$ 5,510,165 | \$ 3,786,419 | \$ 86,848,514 | \$ 89,448,897 |
| Net position at beginning of year | <u>9,747,456</u> | <u>5,961,037</u> | <u>791,767,508</u> | <u>702,318,611</u> |
| Net position at end of year | <u>\$ 15,257,621</u> | <u>\$ 9,747,456</u> | <u>\$ 878,616,022</u> | <u>\$ 791,767,508</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
Notes to Financial Statements
June 30, 2016

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).

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 and the Future Scholar Bank Deposit Portfolio which invests all of its assets in an interest-bearing Bank Deposit Account. 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, 2016:

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, Vanguard Total Bond Market II Index Fund and Vanguard Prime Money Market 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 Total Bond Market II Index Fund and Vanguard Prime Money Market 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 Class shares of the Vanguard Developed Markets Index Fund, Vanguard Total Bond Market II Index Fund and Vanguard Prime Money Market Fund and the iShares TIPS Bond ETF.

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 and the iShares TIPS Bond ETF.

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 and the iShares TIPS Bond ETF.

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

Single Fund Portfolio:

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.

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 and Future Scholar Bank Deposit Portfolio is distributed and reinvested into additional units of the Portfolio in order to maintain a net position value of \$1 per unit. The reinvested net investment income is included in Contributions - units sold in the Statement of Changes in Fiduciary Net Position.

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. 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

The Program indirectly bears a pro rata share of the fees and expenses of the Underlying Funds in which it invests.

Note 4. 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,

2016 of Underlying Funds, by Portfolio, which have the majority of their investments exposed to foreign securities.

| Portfolio | Underlying Fund | Value |
|---|---------------------------------------|--------------|
| Future Scholar Aggressive Growth Portfolio | Vanguard Developed Markets Index Fund | \$33,956,688 |
| Future Scholar Growth Portfolio | Vanguard Developed Markets Index Fund | 22,303,622 |
| Future Scholar Moderate Growth Portfolio | Vanguard Developed Markets Index Fund | 18,444,102 |
| Future Scholar Moderate Portfolio | Vanguard Developed Markets Index Fund | 14,376,098 |
| Future Scholar Moderately Conservative Portfolio | Vanguard Developed Markets Index Fund | 4,177,316 |
| Future Scholar International Equity Index Portfolio | Vanguard Developed Markets Index Fund | 4,919,809 |

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 5. 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 6. Information Regarding Pending and Settled Legal Proceedings

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 (SEC) 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.

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.