

Future Scholar
529 College Savings Plan
Direct Program

Financial Statements and Supplemental Information
June 30, 2018

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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, 2018. 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 \$103.7 million in net contributions from participants during the year ended June 30, 2018.

The Program had an increase of \$83.9 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 and supplementary information. 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, 2018. 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 as of June 30, 2018 and June 30, 2017.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Investments	\$1,243,608,646	\$1,055,984,026
Cash, receivables and other assets	1,618,090	1,350,737
Total Assets	<u>\$1,245,226,736</u>	<u>\$1,057,334,763</u>
Payables	\$ 1,622,159	\$ 1,388,269
Total Liabilities	<u>\$ 1,622,159</u>	<u>\$ 1,388,269</u>
Total Net Position	<u>\$1,243,604,577</u>	<u>\$1,055,946,494</u>

Net position represents 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 shares sold and receivables for accrued income. Liabilities consist of payables for securities purchased, payable for shares 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 year ended June 30, 2018 and the year ended June 30, 2017.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Additions:		
Contributions	\$ 443,857,849	\$ 349,499,602
Net change in appreciation (depreciation) in value of investments	29,887,325	66,036,852
Net realized gain (loss)	1,879,943	906,742
Capital gain distributions from underlying fund shares	29,970,376	13,379,186
Dividend and interest income	22,176,652	17,337,753
Total Additions	<u>\$ 527,772,145</u>	<u>\$ 447,160,135</u>
Deductions:		
Withdrawals	340,114,062	269,829,663
Total Deductions	<u>\$ 340,114,062</u>	<u>\$ 269,829,663</u>
Change in Net Position	187,658,083	177,330,472
Net Position, Beginning of Period	1,055,946,494	878,616,022
Net Position, End of Period	<u>\$1,243,604,577</u>	<u>\$1,055,946,494</u>



Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Future Scholar 529 College Savings Plan Direct Program (the "Program"), which comprise the statement of fiduciary net position as of June 30, 2018 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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, 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2018, and changes in net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 1, the financial statements present only the Program and do not purport to, and do not, present fairly the financial position of the entire South Carolina College Investment Trust Fund or the State of South Carolina as of June 30, 2018, and changes in net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis (MD&A) on pages 1 through 2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the 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 have obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Program's basic financial statements. The supplementary schedules detailing the fiduciary net position, shares outstanding and net position value per share as of June 30, 2018 for each Portfolio and changes in fiduciary net position for the year then ended for each Portfolio 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 supplementary schedules detailing the fiduciary net position, shares outstanding and net position value per share as of June 30, 2018 for each Portfolio and changes in fiduciary net position for the year then ended for each Portfolio are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued a report dated September 21, 2018 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, contracts, and grant agreements 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 and other matters.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
September 21, 2018

Future Scholar 529 College Savings Plan Direct Program
Statement of Fiduciary Net Position
June 30, 2018

Assets	
Investments, at value	\$ 1,243,608,646
Cash	403
Receivable for securities sold	102,884
Receivable for shares sold	569,462
Receivable for accrued income	904,454
Other assets	40,887
Total Assets	<u>1,245,226,736</u>
Liabilities	
Payable for securities purchased	1,097,548
Payable for shares redeemed	338,624
Payable for distributions of net investment income	91,516
Other liabilities	94,471
Total Liabilities	<u>1,622,159</u>
Net position	<u><u>1,243,604,577</u></u>

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

Future Scholar 529 College Savings Plan Direct Program
Statement of Changes in Fiduciary Net Position
June 30, 2018

Additions	
Contributions - shares sold	443,857,849
Increase (decrease) from investment operations	
Dividend income	21,285,340
Interest income	891,312
Net realized gain(loss)	1,879,943
Capital gain distributions from underlying fund shares	29,970,376
Net change in appreciation (depreciation) in value of investments	29,887,325
Total Increase (decrease) from investment operations	<u>83,914,296</u>
Total additions	<u>527,772,145</u>
Deductions	
Withdrawals - shares redeemed	<u>\$ 340,114,062</u>
Net increase (decrease)	\$ 187,658,083
Net position at beginning of year	<u>1,055,946,494</u>
Net position at end of year	<u>\$1,243,604,577</u>

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, 2018

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 Boston Financial Data Services (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 synthetic guaranteed investment contracts (GIC)’s 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, 2018:

Target Allocation Portfolios:

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

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

Future Scholar Moderate Growth Portfolio was invested in Vanguard Federal Money Market Fund, iShares TIPS Bond ETF, Institutional Class shares of the Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund, Columbia Small Cap Index Fund, Vanguard Developed Markets Index Fund and Vanguard Total Bond Market II Index Fund.

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

Future Scholar Moderately Conservative Portfolio was invested in Vanguard Federal Money Market Fund, iShares TIPS Bond ETF, iShares 7-10 Year Treasury Bond ETF, Institutional Class shares of the Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund, Columbia Small Cap Index Fund, Vanguard Developed Markets Index Fund, Vanguard Short Term Bond Index Fund and Vanguard Total Bond Market II Index Fund.

Future Scholar Conservative Portfolio was invested in Vanguard Federal Money Market Fund, iShares TIPS Bond ETF, iShares 7-10 Year Treasury Bond ETF, Institutional Class shares of the Columbia Large Cap Index Fund, Columbia Mid Cap Index Fund, Vanguard Short Term Bond Index Fund and Vanguard Total Bond Market II Index Fund.

Future Scholar College Portfolio was invested in Vanguard Federal Money Market Fund, iShares 7-10 Year Treasury Bond ETF, Institutional Class shares of the Vanguard Total Bond Market II Index Fund and Vanguard Short Term Bond Index Fund.

Single Fund Portfolio:

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

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

Future Scholar Small Cap Index Portfolio was invested in Institutional Class 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 Institutional Class shares of the CMG Ultra Short Term Bond Fund.

Future Scholar Legacy Capital Preservation Portfolio was invested in book value synthetic guaranteed investment contracts (GIC) backed by one or more portfolios of short and intermediate-term investment grade bonds and Institutional Class shares of Columbia Government Money Market Fund.

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

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 and supplementary information 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.

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. 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 shares 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 shares of the Portfolio in order to maintain a net position value of \$1 per share. The reinvested net investment income is included in Contributions-shares 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*, as amended.

The Future Scholar Legacy Capital Preservation Portfolio invests in synthetic GICs that are fully benefit responsive and are reported at contract value, which is equal to contributions, less withdrawals and any applicable fees and charges, plus accrued interest at a rate of return based on a formula specified in the contract known as the "crediting rate."

The crediting rate, which is adjusted periodically, is designed to reflect the actual interest earned on the wrapped fixed income securities, as well as amortize the market value gain or loss of the wrapped assets backing the contract over the duration of those assets.

The Wrapper Agreements are a component of the Portfolio's investment contracts. The Wrapper Contracts are valued using a market approach methodology, which incorporates the difference between current market rates for contract level wrapper fees and the current wrapper fee associated with the contract. The difference is calculated as

a dollar value and discounted at the prevailing interest rates as of the period end. There is no active trading market for Wrapper Agreements, and none is expected to develop; therefore, the Wrapper Agreements are considered illiquid. In performing fair value determination of the Portfolio's Wrapper Agreements, the Program considers the creditworthiness and the ability of the Wrapper Providers to pay amounts due under the Wrapper Agreements.

Fair Value Measurements

The Program categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Program's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset's or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 – Valuations based on quoted prices for investments in active markets that the Program has the ability to access at the measurement date. Valuation adjustments are not applied to Level 1 investments.
- Level 2 – Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 – Valuations based on significant unobservable inputs (including the Program's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Program uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models may rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Columbia's Valuation Committee (the Committee) is responsible for overseeing all valuation procedures. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are or are not readily available, including recommendations of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; and the effectiveness of third party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The following table is a summary of the inputs used to value the Program's investments at June 30, 2018:

	Level 1	Level 2	Level 3	Total (\$)
Investment Type	Quoted Prices in active Markets for Identical Assets (\$)	Other Significant Observable Inputs (\$)	Significant Unobservable Inputs (\$)	
Bank Deposit Account	32,679,618	—	—	32,679,618
Underlying Funds	1,181,935,734	—	—	1,181,935,734
Total Investments	1,214,615,352	—	—	1,214,615,352

There were no transfers of financial assets between levels during the period.

The fair value standards are not applicable to the investment contracts, as they are reported at contract value rather than fair value.

The contract value, by issuer, as well as the fair value of each contract for the year ended June 30, 2018, are as follows:

	Contract Value (\$)	Fair Value (\$)	Wrapper Contracts at Fair Value (\$)
Prudential Insurance Company of America	9,663,678	9,484,464	2,746
Transamerica Life Insurance and Annuity Company	9,664,386	9,484,601	—

	Contract Value (\$)	Fair Value (\$)	Wrapper Contracts at Fair Value (\$)
Voya Retirement and Insurance Company	9,665,230	9,485,879	2,747
Total	28,993,294	28,454,944	5,493

Shares

The beneficial interests of each account owner and beneficiary in the net position of the Portfolios are represented by shares. 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 share. Net position value per share 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 Program 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 shareholders 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.

Recent Accounting Pronouncements

In January 2017, The GASB issued GASB statement no. 84 Fiduciary Activities. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources

has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. This statement is effective for reporting periods beginning after December 15, 2018. Program management has not determined the effect, if any, this Statement will have on its financial statements.

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 overall program management services, including marketing services and investment management services. 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.

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 or exposure to securities of U.S. companies. 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, 2018 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	44,148,181
Future Scholar Growth Portfolio	Vanguard Developed Markets Index Fund	29,496,283
Future Scholar Moderate Growth Portfolio	Vanguard Developed Markets Index Fund	23,946,736
Future Scholar Moderate Portfolio	Vanguard Developed Markets Index Fund	19,314,678
Future Scholar Moderately Conservative Portfolio	Vanguard Developed Markets Index Fund	5,878,925
Future Scholar International Equity Index Portfolio	Vanguard Developed Markets Index Fund	11,230,125

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.

Investment Contract Risk

The Future Scholar Legacy Capital Preservation Portfolio's ability to maintain a stable value is dependent on issuers of Investment Contracts. It is possible that one or more of these issuers become uncreditworthy, insolvent or unable to honor its obligations under the relevant Investment Contract. Similarly, Investment Contract issuers have the right to terminate their Investment Contracts under various circumstances, some of which may be outside of the Portfolio's control and due to certain changes in the regulatory environment. If one of these instances were to occur and the Portfolio was not able to find a substitute Investment Contract issuer or otherwise achieve a stable value for that portion of the Portfolio's assets, the Portfolio's Share value might fall and Account Owners might experience a loss.

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 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 financial condition or results of operations of Ameriprise Financial.

SUPPLEMENTAL INFORMATION

The following information is presented for purposes of additional analysis and is not a required part of the basic financial statements of The Future Scholar 529 College Savings Plan Direct Program (the Program). It shows financial information relating to the investment portfolios, which were included in the Program during the year ended June 30, 2018.

Future Scholar 529 College Savings Plan Direct Program
Statement of Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar Aggressive Growth Portfolio	Future Scholar Growth Portfolio	Future Scholar Moderate Growth Portfolio
Assets			
Investments, at value	\$ 215,486,693	\$ 176,903,201	\$ 189,108,633
Cash	50	—	—
Receivable for securities sold	—	—	—
Receivable for shares sold	21,908	28,732	45,000
Receivable for accrued income	35,376	71,161	160,291
Other assets	—	—	40,846
Total Assets	<u>215,544,027</u>	<u>177,003,094</u>	<u>189,354,770</u>
Liabilities			
Payable for securities purchased	47,114	97,534	184,714
Payable for shares redeemed	10,315	2,375	20,614
Payable for distributions of net investment income	—	—	—
Other liabilities	<u>41,401</u>	<u>50,282</u>	<u>—</u>
Total Liabilities	<u>98,830</u>	<u>150,191</u>	<u>205,328</u>
Net position	<u>215,445,197</u>	<u>176,852,903</u>	<u>189,149,442</u>
Shares outstanding	<u>7,035,745</u>	<u>6,033,126</u>	<u>7,091,759</u>
Value per share	<u>\$ 30.62</u>	<u>\$ 29.31</u>	<u>\$ 26.67</u>

Future Scholar 529 College Savings Plan Direct Program
Statement of Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar Moderate Portfolio	Future Scholar Moderately Conservative Portfolio	Future Scholar Conservative Portfolio
Assets			
Investments, at value	\$ 204,076,660	\$ 111,181,486	\$ 104,296,085
Cash	—	—	—
Receivable for securities sold	—	—	—
Receivable for shares sold	40,050	44,148	43,607
Receivable for accrued income	214,051	144,917	153,078
Other assets	—	—	—
Total Assets	204,330,761	111,370,551	104,492,770
Liabilities			
Payable for securities purchased	225,117	154,893	171,085
Payable for shares redeemed	29,031	34,202	25,629
Payable for distributions of net investment income	—	—	—
Other liabilities	—	—	—
Total Liabilities	254,148	189,095	196,714
Net position			
	204,076,613	111,181,456	104,296,056
Shares outstanding	8,200,855	5,500,780	6,205,625
Value per share	\$ 24.88	\$ 20.21	\$ 16.81

Future Scholar 529 College Savings Plan Direct Program
Statement of Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar College Portfolio	Future Scholar Large Cap Index Portfolio	Future Scholar Mid Cap Index Portfolio
Assets			
Investments, at value	\$ 33,815,432	\$ 56,113,601	\$ 42,814,039
Cash	—	—	—
Receivable for securities sold	—	62,142	1,489
Receivable for shares sold	8,659	18,576	3,511
Receivable for accrued income	57,968	—	—
Other assets	—	—	—
Total Assets	<u>33,882,059</u>	<u>56,194,319</u>	<u>42,819,039</u>
Liabilities			
Payable for securities purchased	58,764	—	—
Payable for shares redeemed	7,874	80,718	5,000
Payable for distributions of net investment income	—	—	—
Other liabilities	—	—	—
Total Liabilities	<u>66,638</u>	<u>80,718</u>	<u>5,000</u>
Net position			
	<u>33,815,421</u>	<u>56,113,601</u>	<u>42,814,039</u>
Shares outstanding	<u>3,251,798</u>	<u>1,799,089</u>	<u>972,912</u>
Value per share	<u>\$ 10.40</u>	<u>\$ 31.19</u>	<u>\$ 44.01</u>

Future Scholar 529 College Savings Plan Direct Program
Statement of Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar Small Cap Index Portfolio	Future Scholar International Equity Index Portfolio	Future Scholar Bond Index Portfolio
Assets			
Investments, at value	\$ 22,498,385	\$ 11,230,126	\$ 2,813,247
Cash	—	—	—
Receivable for securities sold	—	—	—
Receivable for shares sold	19,679	225	21,160
Receivable for accrued income	—	—	6,296
Other assets	—	—	—
Total Assets	<u>22,518,064</u>	<u>11,230,351</u>	<u>2,840,703</u>
Liabilities			
Payable for securities purchased	11,334	225	27,458
Payable for shares redeemed	8,345	—	—
Payable for distributions of net investment income	—	—	—
Other liabilities	—	<u>2,561</u>	<u>227</u>
Total Liabilities	<u>19,679</u>	<u>2,786</u>	<u>27,685</u>
Net position	<u>22,498,385</u>	<u>11,227,565</u>	<u>2,813,018</u>
Shares outstanding	<u>655,936</u>	<u>769,748</u>	<u>259,230</u>
Value per share	<u>\$ 34.30</u>	<u>\$ 14.59</u>	<u>\$ 10.85</u>

Future Scholar 529 College Savings Plan Direct Program
Statement of Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar Short Term Bond Index Portfolio	Future Scholar TIPS Bond ETF Portfolio	Future Scholar Ultra Short Term Bond Portfolio
Assets			
Investments, at value	\$ 4,624,502	\$ 1,396,315	\$ 2,363,520
Cash	—	353	—
Receivable for securities sold	—	—	—
Receivable for shares sold	—	—	—
Receivable for accrued income	7,652	—	3,817
Other assets	—	—	41
Total Assets	<u>4,632,154</u>	<u>1,396,668</u>	<u>2,367,378</u>
Liabilities			
Payable for securities purchased	7,653	226	3,817
Payable for shares redeemed	—	—	—
Payable for distributions of net investment income	—	—	—
Other liabilities	—	—	—
Total Liabilities	<u>7,653</u>	<u>226</u>	<u>3,817</u>
Net position	<u>4,624,501</u>	<u>1,396,442</u>	<u>2,363,561</u>
Shares outstanding	<u>440,174</u>	<u>138,598</u>	<u>226,357</u>
Value per share	<u>\$ 10.51</u>	<u>\$ 10.08</u>	<u>\$ 10.44</u>

Future Scholar 529 College Savings Plan Direct Program
Statement of Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar Legacy Capital Preservation Portfolio	Future Scholar Bank Deposit Portfolio
Assets		
Investments, at value	\$ 32,207,103	\$ 32,679,618
Cash	—	—
Receivable for securities sold	39,253	—
Receivable for shares sold	56,881	217,326
Receivable for accrued income	3,466	46,381
Other assets	—	—
Total Assets	32,306,703	32,943,325
Liabilities		
Payable for securities purchased	3,466	104,148
Payable for shares redeemed	49,342	65,179
Payable for distributions of net investment income	45,222	46,294
Other liabilities	—	—
Total Liabilities	98,030	215,621
Net position	32,208,673	32,727,704
Shares outstanding	32,208,423	32,727,705
Value per share	\$ 1.00	\$ 1.00

Future Scholar 529 College Savings Plan Direct Program
Statement of Changes in Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar Aggressive Growth Portfolio	Future Scholar Growth Portfolio	Future Scholar Moderate Growth Portfolio
Additions			
Contributions - shares sold	\$ 44,157,150	\$ 52,312,226	\$ 65,608,818
Increase (decrease) from investment operations			
Dividend income	3,764,163	3,182,887	3,749,478
Interest income	—	—	—
Net realized gain(loss)	678,804	536,507	173,037
Capital gain distributions from underlying fund shares	7,347,468	5,445,485	4,550,709
Net change in appreciation (depreciation) in value of investments	9,052,858	6,252,231	4,394,852
Total Increase (decrease) from investment operations	<u>20,843,293</u>	<u>15,417,110</u>	<u>12,868,076</u>
Total additions	<u>65,000,443</u>	<u>67,729,336</u>	<u>78,476,894</u>
Deductions			
Withdrawals - shares redeemed	<u>\$ 35,049,001</u>	<u>\$ 46,215,165</u>	<u>\$ 54,398,818</u>
Net increase (decrease)	\$ 29,951,442	\$ 21,514,171	\$ 24,078,076
Net position at beginning of year	<u>185,493,755</u>	<u>155,338,732</u>	<u>165,071,366</u>
Net position at end of year	<u>\$ 215,445,197</u>	<u>\$ 176,852,903</u>	<u>\$ 189,149,442</u>

Future Scholar 529 College Savings Plan Direct Program
Statement of Changes in Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar Moderate Portfolio	Future Scholar Moderately Conservative Portfolio	Future Scholar Conservative Portfolio
Additions			
Contributions - shares sold	\$ 67,279,883	\$ 60,613,665	\$ 58,050,353
Increase (decrease) from investment operations			
Dividend income	4,081,551	2,089,680	1,845,458
Interest income	—	—	—
Net realized gain(loss)	466,581	186,366	21,795
Capital gain distributions from underlying fund shares	4,294,455	1,383,301	799,862
Net change in appreciation (depreciation) in value of investments	3,315,507	355,043	(329,631)
Total Increase (decrease) from investment operations	<u>12,158,094</u>	<u>4,014,390</u>	<u>2,337,484</u>
Total additions	<u><u>79,437,977</u></u>	<u><u>64,628,055</u></u>	<u><u>60,387,837</u></u>
Deductions			
Withdrawals - shares redeemed	<u>\$ 51,687,798</u>	<u>\$ 46,415,176</u>	<u>\$ 40,522,737</u>
Net increase (decrease)	\$ 27,750,179	\$ 18,212,879	\$ 19,865,100
Net position at beginning of year	<u>176,326,434</u>	<u>92,968,577</u>	<u>84,430,956</u>
Net position at end of year	<u><u>\$ 204,076,613</u></u>	<u><u>\$ 111,181,456</u></u>	<u><u>\$ 104,296,056</u></u>

Future Scholar 529 College Savings Plan Direct Program
Statement of Changes in Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar College Portfolio	Future Scholar Large Cap Index Portfolio	Future Scholar Mid Cap Index Portfolio
Additions			
Contributions - shares sold	\$ 25,883,344	\$ 11,539,939	\$ 6,859,836
Increase (decrease) from investment operations			
Dividend income	546,750	872,512	424,781
Interest income	—	—	—
Net realized gain(loss)	(69,939)	(29,605)	(14,550)
Capital gain distributions from underlying fund shares	2,577	2,495,140	2,409,412
Net change in appreciation (depreciation) in value of investments	(391,200)	3,114,099	1,942,171
Total Increase (decrease) from investment operations	<u>88,188</u>	<u>6,452,146</u>	<u>4,761,814</u>
Total additions	<u>25,971,532</u>	<u>17,992,085</u>	<u>11,621,650</u>
Deductions			
Withdrawals - shares redeemed	<u>\$ 17,871,124</u>	<u>\$ 6,641,520</u>	<u>\$ 4,239,799</u>
Net increase (decrease)	\$ 8,100,408	\$ 11,350,565	\$ 7,381,851
Net position at beginning of year	<u>25,715,013</u>	<u>44,763,036</u>	<u>35,432,188</u>
Net position at end of year	<u>\$ 33,815,421</u>	<u>\$ 56,113,601</u>	<u>\$ 42,814,039</u>

Future Scholar 529 College Savings Plan Direct Program
Statement of Changes in Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar Small Cap Index Portfolio	Future Scholar International Equity Index Portfolio	Future Scholar Bond Index Portfolio
Additions			
Contributions - shares sold	\$ 4,418,118	\$ 4,638,780	\$ 1,146,695
Increase (decrease) from investment operations			
Dividend income	196,668	306,324	70,549
Interest income	—	—	—
Net realized gain(loss)	(12,009)	(20,107)	(18,460)
Capital gain distributions from underlying fund shares	1,241,355	—	612
Net change in appreciation (depreciation) in value of investments	<u>2,099,558</u>	<u>212,411</u>	<u>(70,191)</u>
Total Increase (decrease) from investment operations	<u>3,525,572</u>	<u>498,628</u>	<u>(17,490)</u>
Total additions	<u><u>7,943,690</u></u>	<u><u>5,137,408</u></u>	<u><u>1,129,205</u></u>
Deductions			
Withdrawals - shares redeemed	<u><u>\$ 1,886,659</u></u>	<u><u>\$ 975,540</u></u>	<u><u>\$ 723,096</u></u>
Net increase (decrease)	\$ 6,057,031	\$ 4,161,868	\$ 406,109
Net position at beginning of year	<u>16,441,354</u>	<u>7,065,697</u>	<u>2,406,909</u>
Net position at end of year	<u><u>\$ 22,498,385</u></u>	<u><u>\$ 11,227,565</u></u>	<u><u>\$ 2,813,018</u></u>

Future Scholar 529 College Savings Plan Direct Program
Statement of Changes in Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar Short Term Bond Index Portfolio	Future Scholar TIPS Bond ETF Portfolio	Future Scholar Ultra Short Term Bond Portfolio
Additions			
Contributions - shares sold	\$ 2,286,303	\$ 496,118	\$ 1,601,452
Increase (decrease) from investment operations			
Dividend income	67,657	30,776	31,640
Interest income	—	—	—
Net realized gain(loss)	(12,460)	(5,271)	(746)
Capital gain distributions from underlying fund shares	—	—	—
Net change in appreciation (depreciation) in value of investments	(58,293)	(727)	(1,363)
Total Increase (decrease) from investment operations	<u>(3,096)</u>	<u>24,778</u>	<u>29,531</u>
Total additions	<u>2,283,207</u>	<u>520,896</u>	<u>1,630,983</u>
Deductions			
Withdrawals - shares redeemed	<u>\$ 933,718</u>	<u>\$ 151,416</u>	<u>\$ 710,358</u>
Net increase (decrease)	\$ 1,349,489	\$ 369,480	\$ 920,625
Net position at beginning of year	<u>3,275,012</u>	<u>1,026,962</u>	<u>1,442,936</u>
Net position at end of year	<u>\$ 4,624,501</u>	<u>\$ 1,396,442</u>	<u>\$ 2,363,561</u>

Future Scholar 529 College Savings Plan Direct Program
Statement of Changes in Fiduciary Net Position by Portfolio
June 30, 2018

	Future Scholar Legacy Capital Preservation Portfolio	Future Scholar Bank Deposit Portfolio
Additions		
Contributions - shares sold	\$ 13,009,580	\$ 23,955,589
Increase (decrease) from investment operations		
Dividend income	24,466	—
Interest income	500,625	390,687
Net realized gain(loss)	—	—
Capital gain distributions from underlying fund shares	—	—
Net change in appreciation (depreciation) in value of investments	—	—
Total Increase (decrease) from investment operations	<u>525,091</u>	<u>390,687</u>
Total additions	<u>13,534,671</u>	<u>24,346,276</u>
Deductions		
Withdrawals - shares redeemed	<u>\$ 14,778,429</u>	<u>\$ 16,913,708</u>
Net increase (decrease)	\$ (1,243,758)	\$ 7,432,568
Net position at beginning of year	<u>33,452,431</u>	<u>25,295,136</u>
Net position at end of year	<u>\$ 32,208,673</u>	<u>\$ 32,727,704</u>