



SCHOLARSHARE

.....
CALIFORNIA'S 529 COLLEGE SAVINGS PLAN
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**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN**

Annual Report

June 30, 2014

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN**

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Independent Auditor's Report

To the Trustee of the Golden State ScholarShare College Savings Trust:

We have audited the accompanying financial statements of the ScholarShare College Savings Plan Direct-Sold Plan (the "Plan"), which comprise the Statement of Fiduciary Net Position as of June 30, 2014 and the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan'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 an opinion on the financial statements based on our audit. We conducted our audit 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 Plan'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 Plan'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 Statement of Fiduciary Net Position of the ScholarShare College Savings Plan Direct-Sold Plan, at June 30, 2014, and the Statement of Changes in Fiduciary Net Position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The accompanying supplemental information of the Statements of Fiduciary Net Position on pages 14 through 20 and Statements of Changes in Fiduciary Net Position on pages 22 through 28 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 accompanying supplemental information is 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 have also issued our report dated September 10, 2014 on our consideration of the Plan'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 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 Plan's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

September 10, 2014

SCHOLARSHARE COLLEGE SAVINGS PLAN DIRECT-SOLD PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

As plan manager of the Scholarshare College Savings Plan Direct-Sold Plan (the "Plan"), TIAA-CREF Tuition Financing, Inc. ("TFI") offers readers of the Plan's financial statements this discussion and analysis of the financial performance for the year ended June 30, 2014. Readers should consider the information presented in this section in conjunction with the Plan's financial statements and notes to financial statements. The Plan is comprised of 19 investment portfolios (the "Portfolios") in which account owners ("Account Owners") may invest.

Financial Highlights

During the year ended June 30, 2014, the Portfolios within the Plan posted returns as follows:

<u>Active Age-Based Portfolio:</u>		<u>Passive Age-Based Portfolio:</u>	
Ages 0-4	21.57%	Ages 0-4	19.80%
Ages 5-8	19.84	Ages 5-8	17.94
Ages 9-10	17.95	Ages 9-10	16.10
Ages 11-12	16.09	Ages 11-12	14.19
Ages 13-14	14.18	Ages 13-14	12.43
Age 15	11.85	Age 15	10.33
Age 16	10.34	Age 16	8.97
Age 17	8.35	Age 17	7.49
Ages 18 & Over	6.57	Ages 18 & Over	5.97
 <u>Active Multi-Fund Investment Portfolios:</u>		 <u>Passive Multi-Fund Investment Portfolios:</u>	
Active Diversified Equity Portfolio	25.10%	Passive Diversified Equity Portfolio	23.26%
Active Growth Portfolio	19.84	Passive Growth Portfolio	17.87
Active Moderate Growth Portfolio	14.03	Passive Moderate Growth Portfolio	12.38
Active Conservative Portfolio	3.50	Passive Conservative Portfolio	2.95
Active International Equity Portfolio	22.48	Passive Diversified Fixed Income Portfolio	4.88
Active Diversified Fixed Income Portfolio	6.11	Index International Equity Portfolio	21.78
		 <u>Single Fund Investment Portfolios:</u>	
		Social Choice Portfolio	23.88%
		Index Bond Portfolio	4.13
		Index U.S. Large Cap Equity Portfolio	24.42
		Index U.S. Equity Portfolio	25.06
		Principal Plus Interest Portfolio	1.37

The Plan received \$222.6 million in net contributions from Account Owners during the year ended June 30, 2014.

The Plan earned \$108.5 million of investment income and incurred \$4.0 million of operating expenses during the year ended June 30, 2014.

Overview of the Financial Statements

The Plan's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board.

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, 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 Plan's assets and liabilities, with the difference between the two reported as net position as of June 30, 2014. This statement, along with all of the Plan's financial statements, is prepared using the accrual basis of accounting. Contributions are recognized when enrollment in the Plan is finalized; subsequent subscriptions 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 Plan's assets changed during the most recent period. Changes in net position are reported 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 fiscal years.

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

This report presents the operating results and financial status of the Plan, which the State of California reports as a fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity.

Financial Analysis

Net position- The following are condensed Statements of Fiduciary Net Position as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Investments	\$ 6,022,524,390	\$ 5,046,337,511
Cash	6,605	626
Receivables	8,442,569	5,745,890
Total Assets	<u>6,030,973,564</u>	<u>5,052,084,027</u>
Payables	8,968,981	6,165,799
Total Liabilities	<u>8,968,981</u>	<u>6,165,799</u>
Total Net Position	<u>\$ 6,022,004,583</u>	<u>\$ 5,045,918,228</u>

Net position represents total contributions from Account Owners, plus the net increases (decreases) from operations, less withdrawals and expenses.

Investments are approximately 100% of total net position, and consist of 19 Portfolios, each of which invests in varying percentages in the TIAA-CREF Funds, other non-proprietary funds, and/or a funding agreement ("Funding Agreement") issued by TIAA-CREF Life Insurance Company to the Board on behalf of the Plan. Receivables consist of securities sold, contributions, and accrued income. Liabilities consist mainly of payables for securities purchased, withdrawals, and accrued expenses.

Changes in net position- The following are condensed Statements of Changes in Fiduciary Net Position for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Additions:		
Subscriptions	\$ 2,753,223,761	\$ 2,351,935,861
Interest and dividends from underlying funds	108,466,934	96,828,539
Net increase in fair value of investments	649,088,885	356,306,052
Total Additions	<u>3,510,779,580</u>	<u>2,805,070,452</u>
Deductions:		
Redemptions	(2,530,669,774)	(2,171,717,205)
Plan manager fee	(2,628,008)	(2,259,217)
Administrative fee	(1,395,443)	(2,259,217)
Total Deductions	<u>(2,534,693,225)</u>	<u>(2,176,235,639)</u>
Changes in Net Position	976,086,355	628,834,813
Net position - beginning of year	5,045,918,228	4,417,083,415
Net position - end of year	<u>\$ 6,022,004,583</u>	<u>\$ 5,045,918,228</u>

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

ASSETS

Cash	\$ 6,605
Investments, at value (Cost: \$5,073,532,725)	6,022,524,390
Dividends and interest receivable	3,945,783
Receivable from securities transactions	969,912
Receivable from Plan units sold	<u>3,526,874</u>
TOTAL ASSETS	<u>6,030,973,564</u>

LIABILITIES

Overdraft payable	50
Accrued Plan manager fee	470,997
Accrued administrative fee	133,659
Payable for securities transactions	5,461,515
Payable for Plan units redeemed	<u>2,902,760</u>
TOTAL LIABILITIES	<u>8,968,981</u>

NET POSITION

Held in trust for Account Owners in the Plan	<u>\$ 6,022,004,583</u>
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**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

ADDITIONS

Subscriptions \$ 2,753,223,761

Investment income:

Interest 3,503,078

Dividends 104,963,856

Total investment income 108,466,934

Net increase (decrease) in fair value of investments 649,088,885

Total additions 3,510,779,580

DEDUCTIONS

Redemptions (2,530,669,774)

Plan manager fee (2,628,008)

Administrative fee (1,395,443)

Total deductions (2,534,693,225)

Changes in net position 976,086,355

Net position – beginning of year 5,045,918,228

Net position – end of year **\$ 6,022,004,583**

SCHOLARSHARE COLLEGE SAVINGS PLAN DIRECT-SOLD PLAN NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Significant Accounting Policies

The ScholarShare College Savings Plan Direct-Sold Plan (“Plan”) was created by the State of California to help people save for the costs of higher education. The Plan was implemented and is administered as part of a higher education qualified tuition savings program by the ScholarShare Investment Board (“Board”) as trustee of the Golden State ScholarShare College Savings Trust (“Trust”). The Board has those powers as may be reasonably necessary to effect the purposes of the Trust, including the power and authority to make and enter into contracts necessary for the administration of the Trust, approving the investment portfolios offered in the Plan, managing and operating the Plan, and adopting regulations for the administration of the Plan. TIAA-CREF Tuition Financing, Inc. (“TFI”), a wholly owned, indirect subsidiary of Teachers Insurance and Annuity Association of America (“TIAA”), and the Board, on behalf of the Plan, have entered into a management agreement (“Management Agreement”) under which TFI provides certain services to the Plan. The Plan is intended to meet the requirements of a qualified tuition program under Section 529 of the Internal Revenue Code (“Code”). The Plan is currently the only qualified tuition program offered by the Board. The Plan is authorized by Sections 69980 to 69994 of the California Education Code as amended. Investment portfolios (the “Portfolios” or individually “Portfolio”) allocations, and fees as approved by the Board, are described in the current Disclosure Booklet for the Plan.

The assets in the Principal Plus Interest Portfolio are allocated to a funding agreement (“Funding Agreement”) issued by TIAA-CREF Life Insurance Company (“TIAA-CREF Life”), an affiliate of TFI, to the Board as the policyholder on behalf of the Plan. The Funding Agreement provides a minimum guaranteed rate of return on the amounts allocated to it by the Principal Plus Interest Portfolio. In addition to the guaranteed rate of interest to the policyholder, the Funding Agreement allows for the possibility that additional interest may be credited as declared periodically by TIAA-CREF Life. In addition, certain other Portfolios also invest some percentage of their allocation to a separate Funding Agreement.

Teachers Advisors, Inc. (“Advisors”), an affiliate of TFI, is registered with the Securities and Exchange Commission as an investment adviser and provides investment advisory services to the TIAA-CREF Funds (the “Funds”).

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (“GASB”) which may require the use of estimates made by management and the evaluation of subsequent events. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Plan.

Investment income: Securities transactions are accounted for as of the trade date for financial reporting purposes. Interest income is recorded as earned. Dividend income and capital gain distributions from the underlying mutual funds are recorded on the ex-dividend date. Income distributions from underlying mutual funds are included in total investment income and gain distributions are included in net increase in fair value of investments. Realized gains and losses are based upon the specific identification method.

Income tax: No provision for federal income tax has been made. The Plan is designed to constitute a qualified tuition program under Section 529 of the Code and does not expect to have any unrelated business income subject to tax.

Units: The beneficial interests for each account owner (“Account Owner”) in the Portfolios are represented by Plan units. Subscriptions and redemptions are recorded upon receipt of Account Owner’s instructions in good order, based on the next determined net position value per unit (“Unit Value”). Unit Values for each Portfolio are determined at the close of business of the New York Stock Exchange. The Unit Value for financial reporting purposes may differ from the Unit Value for processing transactions. The Unit Value for financial reporting purposes includes security and shareholder transactions through the date of the report. There are no distributions of net investment gains or net investment income to the Portfolio’s Account Owners or beneficiaries.

Subscriptions and Redemptions: Subscriptions on the Statement of Changes in Fiduciary Net Position include any contributions to the Plan made by Account Owners and any exchanges within the Plan that result in a reinvestment of assets. Redemptions on the Statement of Changes in Fiduciary Net Position include any withdrawals to the Plan made by Account Owners and any exchanges within the Plan that result in a reinvestment of assets.

Note 2 – Valuation of Investments

A description of the valuation techniques applied to the Plan’s investments follows:

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
NOTES TO FINANCIAL STATEMENTS (continued)**

Investments in registered investment companies: These investments are valued at their net asset value on the valuation date.

Funding Agreements: The Funding Agreements, to which the Principal Plus Interest Portfolio and certain other Portfolios allocate assets, are considered a nonparticipating interest-earning investment contract and is accounted for at cost.

Note 3 – Plan Fees

For its services as plan manager, each Portfolio (with the exception of the Principal Plus Interest Portfolio) pays a Plan manager fee to TFI at an annual rate of 0.05% of the average daily net position of the Portfolio.

For its services administering the Plan, certain of the Portfolios of the Plan pay to the Board an administrative fee at an annual rate of 0.05% of the average daily net position of such Portfolios.

Effective November 12, 2013, the Board eliminated the administrative fee of 0.05% for the following Portfolios: Passive Age-Based Portfolio, Passive Diversified Equity Portfolio, Passive Growth Portfolio, Passive Moderate Growth Portfolio, Passive Conservative Portfolio, Passive Diversified Fixed Income Portfolio, Index International Equity Portfolio, Index Bond Portfolio, Index U.S. Large Cap Equity Portfolio, and the Index U.S. Equity Portfolio.

The Principal Plus Interest Portfolio does not pay a Plan manager fee or a Board administrative fee. TIAA-CREF Life, the issuer of the funding agreement in which this Investment Portfolio invests and an affiliate of TFI, makes payments to TFI as Plan manager. TIAA-CREF Life also pays the Board a fee, equal to 0.05% of the average daily net position held by the Principal Plus Interest Portfolio.

Note 4 – Investments

Cash deposits: Cash deposits at June 30, 2014 were covered by federal depository insurance coverage.

Investments: As of June 30, 2014, net unrealized appreciation (depreciation) of Portfolio investments was \$948,991,665 consisting of gross unrealized appreciation of \$958,477,566 and gross unrealized depreciation of (\$9,485,901).

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
NOTES TO FINANCIAL STATEMENTS (continued)**

As of June 30, 2014, the Plan's investments consist of the following:

	<u>Units</u>	<u>Cost</u>	<u>Value</u>
TIAA-CREF Funds (Institutional Class):			
Bond Index Fund	88,051,096	\$ 946,836,573	\$ 953,593,368
Emerging Markets Equity Index Fund	10,313,944	102,659,443	112,731,412
Equity Index Fund	94,293,948	977,270,914	1,423,838,612
High-Yield Fund	13,394,002	132,777,520	140,369,138
Inflation-Linked Bond Fund	20,903,060	250,204,601	244,147,744
International Equity Index Fund	27,444,770	416,146,638	553,012,124
Real Estate Securities Fund	13,409,775	149,777,565	188,273,234
S&P 500 Index Fund	7,501,669	119,000,347	166,011,932
Small-Cap Equity	3,025,793	46,818,016	59,396,313
Social Choice Equity Fund	7,177,888	82,514,903	119,081,162
Non-Proprietary Funds (Institutional Class):			
DFA Emerging Markets Core Equity Portfolio	2,235,049	42,804,165	46,489,023
DFA Large Cap International Portfolio	9,130,351	173,828,054	212,737,180
PIMCO Income Fund	8,605,851	100,790,653	109,380,371
PIMCO Real Return Fund	7,728,599	92,530,141	89,729,034
PIMCO Total Return Fund	23,550,752	258,979,682	258,351,742
T. Rowe Price Institutional Floating Rate Fund	4,735,914	47,973,198	48,732,553
T. Rowe Price Institutional Large-Cap Growth Fund	9,124,450	175,957,154	257,035,750
T. Rowe Price Institutional Large-Cap Value Fund	13,204,385	185,098,476	268,049,016
TIAA-CREF Life Insurance Company:			
Funding Agreements	524,035,486	771,564,682	771,564,682
		<u>\$ 5,073,532,725</u>	<u>\$ 6,022,524,390</u>

Note 5 – Investment Risks

Certain investments are subject to a variety of investment risks based on the amount of risk in the underlying mutual funds. GASB requires that entities disclose certain essential risk information about deposits and investments. All of the Plan's Portfolios are uninsured and unregistered and are held by a custodian in the Plan's name.

Custodial credit risk: Custodial credit risk is the risk that in the event of a failure, the Plan deposits and investments may not be returned. An Account Owner has an investment in a Portfolio and not a direct investment in any underlying mutual fund or other investment vehicle to which funds in that Portfolio may be allocated. Because of this ownership structure, the custodial credit risk is mitigated.

Investment policy: The Plan does not have specific investment policies which address credit, interest rate, foreign currency or custodial credit risk. The Plan's Portfolios are managed based on specific investment objectives and strategies which are disclosed in the current Plan Disclosure Booklet.

Credit risk: The underlying mutual funds investing primarily in fixed income securities are subject to credit risk. Credit risk refers to the ability of the issuer to make timely payments of interest and principal. The underlying mutual funds do not carry a formal credit quality rating. The underlying Funding Agreement is a guaranteed insurance product issued by TIAA-CREF Life. TIAA-CREF Life had a Standard & Poor's credit rating of AA+ at June 30, 2014.

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
NOTES TO FINANCIAL STATEMENTS (concluded)**

Interest rate risk: Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At June 30, 2014, the average maturities for the underlying fixed income mutual funds are as follows:

<u>Investment</u>	<u>Market Value</u>	<u>Average Maturity</u>
TIAA-CREF Funds (Institutional Class):		
Bond Index Fund	\$ 953,593,368	7.22 years
High-Yield Fund	140,369,138	7.00 years
Inflation-Linked Bond Fund	244,147,744	8.57 years
Non-Proprietary Funds (Institutional Class):		
PIMCO Income Fund	109,380,371	6.20 years
PIMCO Real Return Fund	89,729,034	8.29 years
PIMCO Total Return Fund	258,351,742	8.35 years
T. Rowe Price Institutional Floating Rate Fund	48,732,553	5.50 years

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments in foreign securities. The Plan does not have any direct investment in foreign securities. Certain Plan Portfolios allocate assets to underlying mutual funds that are exposed to foreign currency risk. At June 30, 2014, the value of investments in underlying mutual funds that significantly invest in foreign denominated contracts are as follows:

<u>Investment</u>	<u>Market Value</u>
TIAA-CREF Funds (Institutional Class):	
Emerging Markets Equity Index Fund	\$ 112,731,412
International Equity Index Fund	553,012,124
Non-Proprietary Funds (Institutional Class):	
DFA Emerging Markets Core Equity Portfolio	46,489,023
DFA Large Cap International Portfolio	212,737,180
PIMCO Income Fund	109,380,371
PIMCO Total Return Fund	258,351,742

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 ScholarShare College Savings Plan Direct-Sold Plan (the "Plan"). It shows financial information relating to the investment portfolios, which are included in the Plan during the year ended June 30, 2014.

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014**

Active Age-Based Portfolio

	<u>Ages 0-4</u>	<u>Ages 5-8</u>	<u>Ages 9-10</u>	<u>Ages 11-12</u>	<u>Ages 13-14</u>	<u>Age 15</u>	<u>Age 16</u>
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Real Estate Securities Fund	\$ 6,855,863	\$ 16,623,659	\$ 5,891,488	\$ 4,830,269	\$ 3,796,968	\$ 1,447,198	\$ 1,237,728
Small-Cap Equity Fund	7,428,254	17,180,378	6,084,816	4,915,217	3,920,466	1,500,536	1,259,591
SUBTOTAL	<u>14,284,117</u>	<u>33,804,037</u>	<u>11,976,304</u>	<u>9,745,486</u>	<u>7,717,434</u>	<u>2,947,734</u>	<u>2,497,319</u>
Non-Proprietary Funds (Institutional Class):							
DFA Emerging Markets Core Equity Portfolio	6,412,166	12,313,959	4,341,356	3,575,271	2,772,942	1,063,253	902,340
DFA Large Cap International Portfolio	23,605,364	58,949,773	20,798,752	16,937,068	13,352,516	5,129,255	4,309,252
PIMCO Income Fund	4,761,000	19,787,634	10,910,939	13,360,183	15,777,976	8,085,022	7,505,927
PIMCO Real Return Fund	3,313,707	16,069,138	8,867,980	10,939,090	12,720,785	6,503,357	6,104,136
PIMCO Total Return Fund	11,237,868	50,234,000	26,326,262	31,245,767	36,189,368	19,155,707	16,056,594
T. Rowe Price Inst. Floating Rate Fund	1,910,407	8,721,522	4,810,664	5,891,670	6,910,435	3,550,173	3,299,906
T. Rowe Price Inst. Large-Cap Growth Fund	31,949,948	74,823,666	26,244,251	19,896,372	15,171,842	5,903,375	5,787,261
T. Rowe Price Inst. Large-Cap Value Fund	33,369,943	76,493,848	26,947,721	23,157,900	18,422,102	6,094,272	5,942,020
SUBTOTAL	<u>116,560,403</u>	<u>317,393,540</u>	<u>129,247,925</u>	<u>125,003,321</u>	<u>121,317,966</u>	<u>55,484,414</u>	<u>49,907,436</u>
TIAA-CREF Life Insurance Company:							
Funding Agreement	—	—	—	—	—	5,349,713	10,871,227
TOTAL INVESTMENTS	<u>130,844,520</u>	<u>351,197,577</u>	<u>141,224,229</u>	<u>134,748,807</u>	<u>129,035,400</u>	<u>63,781,861</u>	<u>63,275,982</u>
Cash	15	—	—	—	—	—	100
Dividends and interest receivable	58,381	234,779	125,863	152,493	180,560	90,270	92,162
Receivable from securities transactions	—	—	12,971	—	50,433	—	—
Receivable from Plan units sold	142,274	193,060	24,789	96,496	63,204	14,566	13,725
TOTAL ASSETS	<u>131,045,190</u>	<u>351,625,416</u>	<u>141,387,852</u>	<u>134,997,796</u>	<u>129,329,597</u>	<u>63,886,697</u>	<u>63,381,969</u>
LIABILITIES							
Overdraft payable	—	—	—	50	—	—	—
Accrued Plan manager fee	11,632	28,687	11,440	10,939	10,668	4,965	5,204
Accrued administrative fee	11,632	28,687	11,440	10,939	10,668	4,965	5,204
Payable for securities transactions	146,875	375,038	125,863	230,043	180,560	104,450	102,205
Payable for Plan units redeemed	48,354	46,143	37,062	16,886	112,821	—	3,483
TOTAL LIABILITIES	<u>218,493</u>	<u>478,555</u>	<u>185,805</u>	<u>268,857</u>	<u>314,717</u>	<u>114,380</u>	<u>116,096</u>
NET POSITION	<u>\$ 130,826,697</u>	<u>\$ 351,146,861</u>	<u>\$ 141,202,047</u>	<u>\$ 134,728,939</u>	<u>\$ 129,014,880</u>	<u>\$ 63,772,317</u>	<u>\$ 63,265,873</u>
UNITS OUTSTANDING	<u>8,724,953</u>	<u>24,122,099</u>	<u>9,991,444</u>	<u>9,828,334</u>	<u>9,709,540</u>	<u>5,007,104</u>	<u>5,109,048</u>
NET POSITION VALUE PER UNIT	<u>\$ 14.99</u>	<u>\$ 14.56</u>	<u>\$ 14.13</u>	<u>\$ 13.71</u>	<u>\$ 13.29</u>	<u>\$ 12.74</u>	<u>\$ 12.38</u>
INVESTMENTS AT COST	<u>\$ 109,216,035</u>	<u>\$ 279,770,336</u>	<u>\$ 116,698,975</u>	<u>\$ 114,750,282</u>	<u>\$ 112,623,596</u>	<u>\$ 58,327,522</u>	<u>\$ 57,691,363</u>

<u>Age 17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
\$ 938,322	\$ 1,662,474	\$ 43,283,969
961,655	1,701,655	44,952,568
<u>1,899,977</u>	<u>3,364,129</u>	<u>88,236,537</u>
686,931	1,248,063	33,316,281
3,285,178	5,863,976	152,231,134
5,323,239	9,721,063	95,232,983
4,730,013	8,947,791	78,195,997
12,466,329	23,420,382	226,332,277
2,565,453	4,806,778	42,467,008
4,372,917	7,718,250	191,867,882
3,807,486	6,711,911	200,947,203
<u>37,237,546</u>	<u>68,438,214</u>	<u>1,020,590,765</u>
<u>19,149,407</u>	<u>64,904,744</u>	<u>100,275,091</u>
58,286,930	136,707,087	1,209,102,393
150	—	265
77,127	158,372	1,170,007
12,831	180,136	256,371
9,461	99,839	657,414
<u>58,386,499</u>	<u>137,145,434</u>	<u>1,211,186,450</u>
—	—	50
4,739	10,442	98,716
4,739	10,442	98,716
77,128	158,371	1,500,533
21,947	276,640	563,336
<u>108,553</u>	<u>455,895</u>	<u>2,261,351</u>
<u>\$ 58,277,946</u>	<u>\$ 136,689,539</u>	<u>\$ 1,208,925,099</u>
<u>4,880,842</u>	<u>11,867,062</u>	
<u>\$ 11.94</u>	<u>\$ 11.52</u>	
<u>\$ 54,374,511</u>	<u>\$ 131,651,415</u>	<u>\$ 1,035,104,035</u>

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014**

Passive Age-Based Portfolio

	<u>Ages 0-4</u>	<u>Ages 5-8</u>	<u>Ages 9-10</u>	<u>Ages 11-12</u>	<u>Ages 13-14</u>	<u>Age 15</u>	<u>Age 16</u>
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ 15,384,277	\$ 70,216,844	\$ 95,728,416	\$ 164,043,298	\$ 195,864,353	\$ 94,095,835	\$ 74,729,293
Emerging Markets Equity Index Fund	5,375,505	11,403,500	10,715,251	12,949,920	10,753,641	3,797,148	2,905,025
Equity Index Fund	62,689,756	179,645,071	153,138,642	173,303,930	138,600,923	44,871,820	34,085,277
High-Yield Fund	1,947,604	9,972,716	14,095,306	24,324,139	29,829,393	14,022,521	11,883,972
Inflation-Linked Bond Fund	2,817,246	21,721,013	30,002,048	40,669,704	49,261,054	23,188,466	19,510,954
International Equity Index Fund	22,336,208	66,112,390	59,801,246	67,163,012	54,436,870	19,167,626	14,812,085
Real Estate Securities Fund	6,298,379	18,808,953	16,682,789	17,313,140	15,286,457	5,398,716	4,155,047
SUBTOTAL	<u>116,848,975</u>	<u>377,880,487</u>	<u>380,163,698</u>	<u>499,767,143</u>	<u>494,032,691</u>	<u>204,542,132</u>	<u>162,081,653</u>
TIAA-CREF Life Insurance Company:							
Funding Agreement	—	—	—	—	—	19,380,131	40,395,571
TOTAL INVESTMENTS	<u>116,848,975</u>	<u>377,880,487</u>	<u>380,163,698</u>	<u>499,767,143</u>	<u>494,032,691</u>	<u>223,922,263</u>	<u>202,477,224</u>
Cash	—	—	—	—	—	200	—
Dividends and interest receivable	39,481	177,469	243,848	403,168	476,589	236,353	213,017
Receivable from securities transactions	—	—	—	23,726	—	—	—
Receivable from Plan units sold	117,031	194,612	93,286	230,043	110,465	37,995	38,758
TOTAL ASSETS	<u>117,005,487</u>	<u>378,252,568</u>	<u>380,500,832</u>	<u>500,424,080</u>	<u>494,619,745</u>	<u>224,196,811</u>	<u>202,728,999</u>
LIABILITIES							
Accrued Plan manager fee	10,467	32,482	32,742	41,421	40,211	18,341	16,462
Payable for securities transactions	139,564	296,435	256,802	403,168	527,747	269,198	217,796
Payable for Plan units redeemed	13,880	72,064	76,458	244,006	51,828	1,000	29,413
TOTAL LIABILITIES	<u>163,911</u>	<u>400,981</u>	<u>366,002</u>	<u>688,595</u>	<u>619,786</u>	<u>288,539</u>	<u>263,671</u>
NET POSITION	<u>\$ 116,841,576</u>	<u>\$ 377,851,587</u>	<u>\$ 380,134,830</u>	<u>\$ 499,735,485</u>	<u>\$ 493,999,959</u>	<u>\$ 223,908,272</u>	<u>\$ 202,465,328</u>
UNITS OUTSTANDING	<u>8,015,665</u>	<u>26,855,855</u>	<u>28,024,259</u>	<u>38,311,942</u>	<u>39,312,249</u>	<u>18,551,272</u>	<u>17,184,573</u>
NET POSITION VALUE PER UNIT	<u>\$ 14.58</u>	<u>\$ 14.07</u>	<u>\$ 13.56</u>	<u>\$ 13.04</u>	<u>\$ 12.57</u>	<u>\$ 12.07</u>	<u>\$ 11.78</u>
INVESTMENTS AT COST	<u>\$ 97,808,797</u>	<u>\$ 298,896,845</u>	<u>\$ 307,851,360</u>	<u>\$ 417,422,013</u>	<u>\$ 430,468,203</u>	<u>\$ 203,054,963</u>	<u>\$ 186,410,849</u>

<u>Age 17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
\$ 59,738,492	\$ 119,137,522	\$ 888,938,330
2,297,907	4,597,862	64,795,759
28,897,303	55,860,142	871,092,864
9,588,344	19,769,115	135,433,110
15,849,576	32,948,760	235,968,821
11,632,255	23,014,892	338,476,584
3,279,321	6,493,945	93,716,747
<u>131,283,198</u>	<u>261,822,238</u>	<u>2,628,422,215</u>
<u>64,320,374</u>	<u>246,662,268</u>	<u>370,758,344</u>
195,603,572	508,484,506	2,999,180,559
100	6,000	6,300
195,805	471,543	2,457,273
241,930	398,573	664,229
196,565	269,983	1,288,738
<u>196,237,972</u>	<u>509,630,605</u>	<u>3,003,597,099</u>
15,623	39,199	246,948
195,805	471,543	2,778,058
434,984	666,344	1,589,977
<u>646,412</u>	<u>1,177,086</u>	<u>4,614,983</u>
<u>\$ 195,591,560</u>	<u>\$ 508,453,519</u>	<u>\$ 2,998,982,116</u>
<u>17,036,433</u>	<u>45,484,486</u>	
<u>\$ 11.48</u>	<u>\$ 11.18</u>	
<u>\$ 182,879,884</u>	<u>\$ 490,005,725</u>	<u>\$ 2,614,798,639</u>

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014**

Active Multi-Fund Investment Portfolios

	Active Diversified Equity Portfolio	Active Growth Portfolio	Active Moderate Growth Portfolio	Active Conservative Portfolio	Active International Equity Portfolio	Active Diversified Fixed Income Portfolio	Total
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Real Estate Securities Fund	\$ 9,589,567	\$ 3,875,456	\$ 705,336	\$ —	\$ —	\$ —	\$ 14,170,359
Small-Cap Equity Fund	9,788,284	3,939,957	715,504	—	—	—	14,443,745
SUBTOTAL	<u>19,377,851</u>	<u>7,815,413</u>	<u>1,420,840</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,614,104</u>
Non-Proprietary Funds (Institutional Class):							
DFA Emerging Markets Core Equity Portfolio	6,990,339	2,858,554	570,133	—	2,753,716	—	13,172,742
DFA Large Cap International Portfolio	33,360,115	13,540,483	2,558,489	—	11,046,959	—	60,506,046
PIMCO Income Fund	—	4,586,563	2,940,865	3,465,660	—	3,154,300	14,147,388
PIMCO Real Return Fund	—	3,755,233	2,615,114	2,641,983	—	2,520,707	11,533,037
PIMCO Total Return Fund	—	11,520,838	6,705,208	7,113,346	—	6,680,073	32,019,465
T. Rowe Price Inst. Floating Rate Fund	—	2,023,025	1,374,161	1,477,087	—	1,391,272	6,265,545
T. Rowe Price Inst. Large-Cap Growth Fund	44,670,901	17,209,588	3,287,379	—	—	—	65,167,868
T. Rowe Price Inst. Large-Cap Value Fund	46,136,893	17,694,447	3,270,473	—	—	—	67,101,813
SUBTOTAL	<u>131,158,248</u>	<u>73,188,731</u>	<u>23,321,822</u>	<u>14,698,076</u>	<u>13,800,675</u>	<u>13,746,352</u>	<u>269,913,904</u>
TIAA-CREF Life Insurance Company:							
Funding Agreement	—	—	—	12,986,315	—	—	12,986,315
TOTAL INVESTMENTS	<u>150,536,099</u>	<u>81,004,144</u>	<u>24,742,662</u>	<u>27,684,391</u>	<u>13,800,675</u>	<u>13,746,352</u>	<u>311,514,323</u>
Cash	—	—	3	—	2	—	5
Dividends and interest receivable	—	54,102	33,668	48,021	—	34,672	170,463
Receivable from Plan units sold	126,459	80,502	78,980	43,278	7,523	6,987	343,729
TOTAL ASSETS	<u>150,662,558</u>	<u>81,138,748</u>	<u>24,855,313</u>	<u>27,775,690</u>	<u>13,808,200</u>	<u>13,788,011</u>	<u>312,028,520</u>
LIABILITIES							
Accrued Plan manager fee	12,192	6,576	1,991	2,292	1,115	1,120	25,286
Accrued administrative fee	12,192	6,576	1,991	2,292	1,115	1,120	25,286
Payable for securities transactions	71,180	86,449	106,114	82,135	7,025	36,308	389,211
Payable for Plan units redeemed	54,862	47,225	6,428	8,839	500	5,319	123,173
TOTAL LIABILITIES	<u>150,426</u>	<u>146,826</u>	<u>116,524</u>	<u>95,558</u>	<u>9,755</u>	<u>43,867</u>	<u>562,956</u>
NET POSITION	<u>\$ 150,512,132</u>	<u>\$ 80,991,922</u>	<u>\$ 24,738,789</u>	<u>\$ 27,680,132</u>	<u>\$ 13,798,445</u>	<u>\$ 13,744,144</u>	<u>\$ 311,465,564</u>
UNITS OUTSTANDING	<u>9,494,265</u>	<u>5,562,395</u>	<u>1,844,495</u>	<u>2,531,474</u>	<u>970,330</u>	<u>1,182,114</u>	
NET POSITION VALUE PER UNIT	<u>\$ 15.85</u>	<u>\$ 14.56</u>	<u>\$ 13.41</u>	<u>\$ 10.93</u>	<u>\$ 14.22</u>	<u>\$ 11.63</u>	
INVESTMENTS AT COST	<u>\$ 108,962,004</u>	<u>\$ 65,635,938</u>	<u>\$ 22,610,562</u>	<u>\$ 27,486,855</u>	<u>\$ 12,051,285</u>	<u>\$ 13,735,835</u>	<u>\$ 250,482,479</u>

Passive Multi-Fund Investment Portfolios

	Passive Diversified Equity Portfolio	Passive Growth Portfolio	Passive Moderate Growth Portfolio	Passive Conservative Portfolio	Passive Diversified Fixed Income Portfolio	Index International Equity Portfolio	Total
ASSETS							
Investments, at value:							
TIAA-CREF Funds (Institutional Class):							
Bond Index Fund	\$ —	\$ 12,017,771	\$ 6,236,796	\$ 9,865,587	\$ 3,641,317	\$ —	\$ 31,761,471
Emerging Markets Equity Index Fund	28,096,031	2,124,306	361,566	—	—	17,353,750	47,935,653
Equity Index Fund	345,864,702	29,243,455	4,288,083	—	—	—	379,396,240
High-Yield Fund	—	1,685,113	935,087	1,717,919	597,909	—	4,936,028
Inflation-Linked Bond Fund	—	2,783,553	1,689,720	2,697,342	1,008,308	—	8,178,923
International Equity Index Fund	125,107,075	10,751,318	1,645,315	—	—	77,031,832	214,535,540
Real Estate Securities Fund	33,609,778	3,031,540	460,841	—	—	—	37,102,159
SUBTOTAL	<u>532,677,586</u>	<u>61,637,056</u>	<u>15,617,408</u>	<u>14,280,848</u>	<u>5,247,534</u>	<u>94,385,582</u>	<u>723,846,014</u>
TIAA-CREF Life Insurance Company:							
Funding Agreement	—	—	—	13,647,776	—	—	13,647,776
TOTAL INVESTMENTS	<u>532,677,586</u>	<u>61,637,056</u>	<u>15,617,408</u>	<u>27,928,624</u>	<u>5,247,534</u>	<u>94,385,582</u>	<u>737,493,790</u>
Dividends and interest receivable	—	28,774	14,711	36,250	9,028	—	88,763
Receivable from securities transactions	14,458	—	—	—	—	—	14,458
Receivable from Plan units sold	72,474	326,588	3,527	56,971	7,652	132,741	599,953
TOTAL ASSETS	<u>532,764,518</u>	<u>61,992,418</u>	<u>15,635,646</u>	<u>28,021,845</u>	<u>5,264,214</u>	<u>94,518,323</u>	<u>738,196,964</u>
LIABILITIES							
Accrued Plan manager fee	43,557	4,990	1,209	2,309	424	7,766	60,255
Payable for securities transactions	—	285,808	17,971	86,917	15,647	46,218	452,561
Payable for Plan units redeemed	82,207	68,803	—	5,806	—	85,834	242,650
TOTAL LIABILITIES	<u>125,764</u>	<u>359,601</u>	<u>19,180</u>	<u>95,032</u>	<u>16,071</u>	<u>139,818</u>	<u>755,466</u>
NET POSITION	<u>\$ 532,638,754</u>	<u>\$ 61,632,817</u>	<u>\$ 15,616,466</u>	<u>\$ 27,926,813</u>	<u>\$ 5,248,143</u>	<u>\$ 94,378,505</u>	<u>\$ 737,441,498</u>
UNITS OUTSTANDING	<u>34,084,218</u>	<u>4,386,799</u>	<u>1,246,033</u>	<u>2,665,813</u>	<u>488,250</u>	<u>6,778,015</u>	
NET POSITION VALUE PER UNIT	<u>\$ 15.63</u>	<u>\$ 14.05</u>	<u>\$ 12.53</u>	<u>\$ 10.48</u>	<u>\$ 10.75</u>	<u>\$ 13.92</u>	
INVESTMENTS AT COST	<u>\$ 368,034,923</u>	<u>\$ 49,737,169</u>	<u>\$ 14,519,289</u>	<u>\$ 27,860,176</u>	<u>\$ 5,264,980</u>	<u>\$ 73,613,219</u>	<u>\$ 539,029,756</u>

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014**

Single Fund Investment Portfolios

	Social Choice Portfolio	Index Bond Portfolio	Index U.S. Large Cap Equity Portfolio	Index U.S. Equity Portfolio	Principal Plus Interest Portfolio	Total
ASSETS						
Investments, at value:						
TIAA-CREF Funds (Institutional Class):						
Bond Index Fund	\$ —	\$ 32,893,567	\$ —	\$ —	\$ —	\$ 32,893,567
Equity Index Fund	—	—	—	173,349,508	—	173,349,508
S&P 500 Index Fund	—	—	166,011,932	—	—	166,011,932
Social Choice Equity Fund	119,081,162	—	—	—	—	119,081,162
SUBTOTAL	119,081,162	32,893,567	166,011,932	173,349,508	—	491,336,169
TIAA-CREF Life Insurance Company:						
Funding Agreement	—	—	—	—	273,897,156	273,897,156
TOTAL INVESTMENTS	119,081,162	32,893,567	166,011,932	173,349,508	273,897,156	765,233,325
Cash	30	—	5	—	—	35
Dividends and interest receivable	—	59,277	—	—	—	59,277
Receivable from securities transactions	—	—	34,854	—	—	34,854
Receivable from Plan units sold	28,745	10,182	90,947	152,250	354,916	637,040
TOTAL ASSETS	119,109,937	32,963,026	166,137,738	173,501,758	274,252,072	765,964,531
LIABILITIES						
Accrued Plan manager fee	9,657	2,720	13,433	13,982	—	39,792
Accrued State administrative fee	9,657	—	—	—	—	9,657
Payable for securities transactions	18,058	69,260	—	115,246	138,588	341,152
Payable for Plan units redeemed	9,722	—	122,643	34,931	216,328	383,624
TOTAL LIABILITIES	47,094	71,980	136,076	164,159	354,916	774,225
NET POSITION	\$ 119,062,843	\$ 32,891,046	\$ 166,001,662	\$ 173,337,599	\$ 273,897,156	\$ 765,190,306
UNITS OUTSTANDING	7,307,172	3,109,628	10,052,211	10,431,458	26,367,959	
NET POSITION VALUE PER UNIT	\$ 16.29	\$ 10.58	\$ 16.51	\$ 16.62	\$ 10.39	
INVESTMENTS AT COST	\$ 82,514,903	\$ 32,689,078	\$ 119,000,347	\$ 126,016,332	\$ 273,897,156	\$ 634,117,816

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**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Active Age-Based Portfolio

	<u>Ages 0-4</u>	<u>Ages 5-8</u>	<u>Ages 9-10</u>	<u>Ages 11-12</u>	<u>Ages 13-14</u>	<u>Age 15</u>	<u>Age 16</u>
ADDITIONS							
Subscriptions	\$ 47,869,459	\$ 110,784,856	\$ 85,495,182	\$ 83,737,231	\$ 78,700,090	\$ 68,511,305	\$ 66,909,362
Increase from investment operations:							
Dividends from underlying funds	2,293,124	5,709,890	2,433,253	2,461,362	2,654,458	1,231,311	1,214,853
Realized gain distributions from underlying funds	856,555	1,801,045	686,176	647,280	635,534	263,863	238,686
Net unrealized appreciation on underlying fund shares	8,837,467	43,870,425	15,325,658	12,796,492	10,573,147	3,442,313	3,971,760
Net realized gain on investments in underlying fund shares	14,862,535	3,894,997	1,650,791	1,209,227	1,538,087	1,313,394	172,369
Net increase from investment operations	<u>26,849,681</u>	<u>55,276,357</u>	<u>20,095,878</u>	<u>17,114,361</u>	<u>15,401,226</u>	<u>6,250,881</u>	<u>5,597,668</u>
TOTAL ADDITIONS	\$ 74,719,140	\$ 166,061,213	\$ 105,591,060	\$ 100,851,592	\$ 94,101,316	\$ 74,762,186	\$ 72,507,030
DEDUCTIONS							
Redemptions	\$ 68,828,325	\$ 77,856,939	\$ 68,777,232	\$ 63,833,815	\$ 65,924,315	\$ 62,768,496	\$ 57,903,758
Expenses:							
Plan manager fee	68,041	155,588	61,719	57,959	58,455	27,517	28,439
Administrative fee	68,041	155,588	61,719	57,959	58,455	27,517	28,439
Total expenses	<u>136,082</u>	<u>311,176</u>	<u>123,438</u>	<u>115,918</u>	<u>116,910</u>	<u>55,034</u>	<u>56,878</u>
TOTAL DEDUCTIONS	\$ 68,964,407	\$ 78,168,115	\$ 68,900,670	\$ 63,949,733	\$ 66,041,225	\$ 62,823,530	\$ 57,960,636
NET POSITION							
Net increase (decrease) in fiduciary net position	5,754,733	87,893,098	36,690,390	36,901,859	28,060,091	11,938,656	14,546,394
Beginning of year	<u>125,071,964</u>	<u>263,253,763</u>	<u>104,511,657</u>	<u>97,827,080</u>	<u>100,954,789</u>	<u>51,833,661</u>	<u>48,719,479</u>
End of year	<u>\$ 130,826,697</u>	<u>\$ 351,146,861</u>	<u>\$ 141,202,047</u>	<u>\$ 134,728,939</u>	<u>\$ 129,014,880</u>	<u>\$ 63,772,317</u>	<u>\$ 63,265,873</u>

<u>Age 17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
<u>\$ 61,609,537</u>	<u>\$ 63,153,507</u>	<u>\$ 666,770,529</u>
958,684	1,956,135	20,913,070
169,172	302,985	5,601,296
2,773,267	3,970,279	105,560,808
170,916	1,139,358	25,951,674
<u>4,072,039</u>	<u>7,368,757</u>	<u>158,026,848</u>
<u>\$ 65,681,576</u>	<u>\$ 70,522,264</u>	<u>\$ 824,797,377</u>
<u>\$ 53,959,949</u>	<u>\$ 44,690,194</u>	<u>\$ 564,543,023</u>
25,181	57,435	540,334
25,181	57,435	540,334
<u>50,362</u>	<u>114,870</u>	<u>1,080,668</u>
<u>\$ 54,010,311</u>	<u>\$ 44,805,064</u>	<u>\$ 565,623,691</u>
11,671,265	25,717,200	259,173,686
<u>46,606,681</u>	<u>110,972,339</u>	<u>949,751,413</u>
<u>\$ 58,277,946</u>	<u>\$ 136,689,539</u>	<u>\$ 1,208,925,099</u>

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Passive Age-Based Portfolio

	<u>Ages 0-4</u>	<u>Ages 5-8</u>	<u>Ages 9-10</u>	<u>Ages 11-12</u>	<u>Ages 13-14</u>	<u>Age 15</u>	<u>Age 16</u>
ADDITIONS							
Subscriptions	\$ 40,614,887	\$ 107,909,476	\$ 193,040,764	\$ 272,590,615	\$ 274,009,251	\$ 228,757,736	\$ 208,500,445
Increase from investment operations:							
Dividends from underlying funds	2,593,391	8,285,578	8,607,627	10,262,209	9,935,644	4,350,077	3,827,457
Realized gain distributions from underlying funds	384,516	1,199,705	1,208,026	1,377,374	1,305,777	543,645	461,116
Net unrealized appreciation on underlying fund shares	5,683,821	31,832,403	30,712,648	45,898,368	37,993,999	12,777,539	9,810,949
Net realized gain on investments in underlying fund shares	13,886,640	23,391,784	18,453,662	4,515,811	2,982,010	2,193,696	2,082,200
Net increase from investment operations	<u>22,548,368</u>	<u>64,709,470</u>	<u>58,981,963</u>	<u>62,053,762</u>	<u>52,217,430</u>	<u>19,864,957</u>	<u>16,181,722</u>
TOTAL ADDITIONS	<u>\$ 63,163,255</u>	<u>\$ 172,618,946</u>	<u>\$ 252,022,727</u>	<u>\$ 334,644,377</u>	<u>\$ 326,226,681</u>	<u>\$ 248,622,693</u>	<u>\$ 224,682,167</u>
DEDUCTIONS							
Redemptions	\$ 64,382,711	\$ 175,096,947	\$ 251,919,862	\$ 260,909,949	\$ 232,280,383	\$ 203,523,287	\$ 197,654,648
Expenses:							
Plan manager fee	61,809	194,448	196,043	232,820	221,550	100,593	92,869
Administrative fee	22,695	72,157	71,969	81,578	76,410	34,257	32,974
Total expenses	<u>84,504</u>	<u>266,605</u>	<u>268,012</u>	<u>314,398</u>	<u>297,960</u>	<u>134,850</u>	<u>125,843</u>
TOTAL DEDUCTIONS	<u>\$ 64,467,215</u>	<u>\$ 175,363,552</u>	<u>\$ 252,187,874</u>	<u>\$ 261,224,347</u>	<u>\$ 232,578,343</u>	<u>\$ 203,658,137</u>	<u>\$ 197,780,491</u>
NET POSITION							
Net increase (decrease) in fiduciary net position	(1,303,960)	(2,744,606)	(165,147)	73,420,030	93,648,338	44,964,556	26,901,676
Beginning of year	<u>118,145,536</u>	<u>380,596,193</u>	<u>380,299,977</u>	<u>426,315,455</u>	<u>400,351,621</u>	<u>178,943,716</u>	<u>175,563,652</u>
End of year	<u>\$ 116,841,576</u>	<u>\$ 377,851,587</u>	<u>\$ 380,134,830</u>	<u>\$ 499,735,485</u>	<u>\$ 493,999,959</u>	<u>\$ 223,908,272</u>	<u>\$ 202,465,328</u>

<u>Age 17</u>	<u>Ages 18 & Over</u>	<u>Total</u>
<u>\$ 202,634,991</u>	<u>\$ 198,882,765</u>	<u>\$ 1,726,940,930</u>
3,219,640	7,289,719	58,371,342
341,014	666,406	7,487,579
7,491,919	10,790,953	192,992,599
1,624,821	7,503,409	76,634,033
<u>12,677,394</u>	<u>26,250,487</u>	<u>335,485,553</u>
<u>\$ 215,312,385</u>	<u>\$ 225,133,252</u>	<u>\$ 2,062,426,483</u>
<u>\$ 179,260,829</u>	<u>\$ 160,987,264</u>	<u>\$ 1,726,015,880</u>
86,774	220,812	1,407,718
29,710	79,131	500,881
<u>116,484</u>	<u>299,943</u>	<u>1,908,599</u>
<u>\$ 179,377,313</u>	<u>\$ 161,287,207</u>	<u>\$ 1,727,924,479</u>
35,935,072	63,846,045	334,502,004
<u>159,656,488</u>	<u>444,607,474</u>	<u>2,664,480,112</u>
<u>\$ 195,591,560</u>	<u>\$ 508,453,519</u>	<u>\$ 2,998,982,116</u>

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Active Multi-Fund Investment Portfolios

	Active Diversified Equity Portfolio	Active Growth Portfolio	Active Moderate Growth Portfolio	Active Conservative Portfolio	Active International Equity Portfolio	Active Diversified Fixed Income Portfolio	Total
ADDITIONS							
Subscriptions	\$ 32,012,067	\$ 23,916,771	\$ 12,106,755	\$ 6,311,076	\$ 4,953,231	\$ 3,144,926	\$ 82,444,826
Increase from investment operations:							
Dividends from underlying funds	1,846,498	1,264,857	432,636	554,339	346,252	383,268	4,827,850
Realized gain distributions from underlying funds	802,093	388,312	99,546	65,501	—	58,342	1,413,794
Net unrealized appreciation on underlying fund shares	24,707,702	9,216,383	1,827,562	388,872	1,659,892	370,285	38,170,696
Net realized gain on investments in underlying fund shares	626,736	1,286,238	120,959	—	96,869	—	2,130,802
Net increase from investment operations	27,983,029	12,155,790	2,480,703	1,008,712	2,103,013	811,895	46,543,142
TOTAL ADDITIONS	\$ 59,995,096	\$ 36,072,561	\$ 14,587,458	\$ 7,319,788	\$ 7,056,244	\$ 3,956,821	\$ 128,987,968
DEDUCTIONS							
Redemptions	\$ 13,047,690	\$ 11,249,444	\$ 3,721,978	\$ 8,346,278	\$ 1,279,626	\$ 4,248,587	\$ 41,893,603
Expenses:							
Plan manager fee	64,516	34,443	9,541	13,738	5,419	6,530	134,187
Administrative fee	64,516	34,443	9,541	13,738	5,419	6,530	134,187
Total expenses	129,032	68,886	19,082	27,476	10,838	13,060	268,374
Net realized loss on investments in underlying fund shares	—	—	—	17,292	—	25,199	42,491
TOTAL DEDUCTIONS	\$ 13,176,722	\$ 11,318,330	\$ 3,741,060	\$ 8,391,046	\$ 1,290,464	\$ 4,286,846	\$ 42,204,468
NET POSITION							
Net increase (decrease) in fiduciary net position	46,818,374	24,754,231	10,846,398	(1,071,258)	5,765,780	(330,025)	86,783,500
Beginning of year	103,693,758	56,237,691	13,892,391	28,751,390	8,032,665	14,074,169	224,682,064
End of year	\$ 150,512,132	\$ 80,991,922	\$ 24,738,789	\$ 27,680,132	\$ 13,798,445	\$ 13,744,144	\$ 311,465,564

Passive Multi-Fund Investment Portfolios

	Passive Diversified Equity Portfolio	Passive Growth Portfolio	Passive Moderate Growth Portfolio	Passive Conservative Portfolio	Passive Diversified Fixed Income Portfolio	Index International Equity Portfolio	Total
ADDITIONS							
Subscriptions	\$ 46,319,765	\$ 15,529,101	\$ 8,745,768	\$ 5,932,853	\$ 2,518,162	\$ 16,398,087	\$ 95,443,736
Increase from investment operations:							
Dividends from underlying funds	9,817,637	1,118,269	241,108	485,518	106,327	2,230,542	13,999,401
Realized gain distributions from underlying funds	1,499,968	157,365	29,712	44,890	12,748	—	1,744,683
Net unrealized appreciation on underlying fund shares	81,418,505	6,436,781	856,945	319,966	132,722	13,057,861	102,222,780
Net realized gain on investments in underlying fund shares	9,676,435	1,148,971	132,209	—	—	961,142	11,918,757
Net increase from investment operations	<u>102,412,545</u>	<u>8,861,386</u>	<u>1,259,974</u>	<u>850,374</u>	<u>251,797</u>	<u>16,249,545</u>	<u>129,885,621</u>
TOTAL ADDITIONS	<u>\$ 148,732,310</u>	<u>\$ 24,390,487</u>	<u>\$ 10,005,742</u>	<u>\$ 6,783,227</u>	<u>\$ 2,769,959</u>	<u>\$ 32,647,632</u>	<u>\$ 225,329,357</u>
DEDUCTIONS							
Redemptions	<u>\$ 61,907,187</u>	<u>\$ 10,234,035</u>	<u>\$ 1,982,202</u>	<u>\$ 8,597,429</u>	<u>\$ 1,900,359</u>	<u>\$ 10,387,766</u>	<u>\$ 95,008,978</u>
Expenses:							
Plan manager fee, net	246,022	26,958	5,326	13,996	2,127	42,367	336,796
State administrative fee	86,309	9,194	1,504	5,270	723	14,458	117,458
Total expenses	<u>332,331</u>	<u>36,152</u>	<u>6,830</u>	<u>19,266</u>	<u>2,850</u>	<u>56,825</u>	<u>454,254</u>
Net realized loss on investments in underlying fund shares	—	—	—	34,182	38,461	—	72,643
TOTAL DEDUCTIONS	<u>\$ 62,239,518</u>	<u>\$ 10,270,187</u>	<u>\$ 1,989,032</u>	<u>\$ 8,650,877</u>	<u>\$ 1,941,670</u>	<u>\$ 10,444,591</u>	<u>\$ 95,535,875</u>
NET POSITION							
Net increase (decrease) in fiduciary net position	86,492,792	14,120,300	8,016,710	(1,867,650)	828,289	22,203,041	129,793,482
Beginning of year	<u>446,145,962</u>	<u>47,512,517</u>	<u>7,599,756</u>	<u>29,794,463</u>	<u>4,419,854</u>	<u>72,175,464</u>	<u>607,648,016</u>
End of year	<u>\$ 532,638,754</u>	<u>\$ 61,632,817</u>	<u>\$ 15,616,466</u>	<u>\$ 27,926,813</u>	<u>\$ 5,248,143</u>	<u>\$ 94,378,505</u>	<u>\$ 737,441,498</u>

**SCHOLARSHARE COLLEGE SAVINGS PLAN
DIRECT-SOLD PLAN
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FOR THE YEAR ENDED JUNE 30, 2014**

Single Fund Investment Portfolios

	Social Choice Portfolio	Index Bond Portfolio	Index U.S. Large Cap Equity Portfolio	Index U.S. Equity Portfolio	Principal Plus Interest Portfolio	Total
ADDITIONS						
Subscriptions	\$ 18,942,033	\$ 5,400,209	\$ 36,204,468	\$ 51,768,770	\$ 69,308,260	\$ 181,623,740
Increase from investment operations:						
Interest	—	—	—	—	3,503,078	3,503,078
Dividends from underlying funds	1,439,720	683,998	2,379,777	2,348,698	—	6,852,193
Realized gain distributions from underlying funds	919,319	18,329	—	447,795	—	1,385,443
Net unrealized appreciation on underlying fund shares	18,930,359	689,013	27,137,877	27,125,490	—	73,882,739
Net realized gain on investments in underlying fund shares	640,759	—	749,742	787,843	—	2,178,344
Net increase from investment operations	<u>21,930,157</u>	<u>1,391,340</u>	<u>30,267,396</u>	<u>30,709,826</u>	<u>3,503,078</u>	<u>87,801,797</u>
TOTAL ADDITIONS	<u>\$ 40,872,190</u>	<u>\$ 6,791,549</u>	<u>\$ 66,471,864</u>	<u>\$ 82,478,596</u>	<u>\$ 72,811,338</u>	<u>\$ 269,425,537</u>
DEDUCTIONS						
Redemptions	\$ 8,575,854	\$ 9,754,650	\$ 14,252,024	\$ 16,023,941	\$ 54,601,821	\$ 103,208,290
Expenses:						
Plan manager fee, net	51,673	16,528	70,226	70,546	—	208,973
State administrative fee	51,673	6,307	22,722	21,881	—	102,583
Total expenses	<u>103,346</u>	<u>22,835</u>	<u>92,948</u>	<u>92,427</u>	<u>—</u>	<u>311,556</u>
Net realized loss on investments in underlying fund shares	—	72,008	—	—	—	72,008
TOTAL DEDUCTIONS	<u>\$ 8,679,200</u>	<u>\$ 9,849,493</u>	<u>\$ 14,344,972</u>	<u>\$ 16,116,368</u>	<u>\$ 54,601,821</u>	<u>\$ 103,591,854</u>
NET POSITION						
Net increase (decrease) in fiduciary net position	32,192,990	(3,057,944)	52,126,892	66,362,228	18,209,517	165,833,683
Beginning of year	<u>86,869,853</u>	<u>35,948,990</u>	<u>113,874,770</u>	<u>106,975,371</u>	<u>255,687,639</u>	<u>599,356,623</u>
End of year	<u>\$ 119,062,843</u>	<u>\$ 32,891,046</u>	<u>\$ 166,001,662</u>	<u>\$ 173,337,599</u>	<u>\$ 273,897,156</u>	<u>\$ 765,190,306</u>



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Trustee of the Golden State ScholarShare College Savings Trust:

We have audited, 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, the basic financial statements of the ScholarShare College Savings Plan Direct-Sold Plan (the "Plan"), which comprise the Statement of Fiduciary Net Position as of June 30, 2014, and the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

September 10, 2014