

**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST**

**GOVERNOR'S SCHOLARSHIP PROGRAMS**

**Financial Statements**

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**June 30, 2009**

**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST  
GOVERNOR'S SCHOLARSHIP PROGRAMS**

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June 30, 2009**

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## Report of Independent Auditors

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

In our opinion, the accompanying statement of assets and liabilities and the related statements of operations, of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of assets invested in the Governor's Scholarship Program of the Golden State ScholarShare College Savings Trust, (hereafter referred to as the "Trust") at June 30, 2009, the results of each of their operations, the changes in each of their net assets and each of their financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trust. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Program Manager, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Governor's Scholarship Programs and do not purport to, and do not, present the net assets, results of operations, changes in net assets or financial highlights of the Golden State ScholarShare College Savings Trust.



New York, NY  
September 10, 2009

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**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST**  
**GOVERNOR'S SCHOLARSHIP PROGRAMS**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**June 30, 2009**

ASSETS

Investments, at value:

TIAA-CREF Life Insurance Company-

Funding Agreement (Note 1) \$99,495,125

TOTAL ASSETS 99,495,125

LIABILITIES

TOTAL LIABILITIES -

NET ASSETS \$99,495,125

UNITS OUTSTANDING 7,249,747

NET ASSET VALUE PER UNIT \$13.72

Investments at cost \$99,495,125

See notes to financial statements

**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST**  
**GOVERNOR'S SCHOLARSHIP PROGRAMS**  
**STATEMENT OF OPERATIONS**  
**For the Year Ended June 30, 2009**

INVESTMENT INCOME

Income:

Interest

\$3,485,205

TOTAL INCOME

3,485,205

Expenses:

TOTAL EXPENSES

-

-

NET INVESTMENT INCOME

3,485,205

NET REALIZED AND UNREALIZED  
GAIN (LOSS) ON TOTAL INVESTMENTS

-

NET INCREASE  
IN NET ASSETS RESULTING  
FROM OPERATIONS

3,485,205

See notes to financial statements

**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST**  
**GOVERNOR'S SCHOLARSHIP PROGRAMS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2009**

FROM OPERATIONS

Net investment income	\$3,485,205
Net realized gain (loss) on investments	-
Net change in unrealized appreciation on investments	-
	<hr/>

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<hr/> 3,485,205
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FROM ACCOUNT OWNER TRANSACTIONS

Subscriptions	-
Redemptions	(12,980,468)
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NET DECREASE IN NET ASSETS RESULTING FROM FROM ACCOUNT OWNER TRANSACTIONS	<hr/> (12,980,468)
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NET DECREASE IN NET ASSETS	<hr/> (9,495,263)
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NET ASSETS

Beginning of year	<hr/> 108,990,388
End of year	<hr/> <hr/> \$99,495,125

UNITS

Sold	-
Redeemed	(962,686)
Net decrease	<hr/> (962,686) <hr/>

See notes to financial statements

**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST**  
**GOVERNOR'S SCHOLARSHIP PROGRAMS**  
**FINANCIAL HIGHLIGHTS**

**For the Year Ended June 30, 2009**

FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR

Net unit value, beginning of year	\$13.27
Gain from investment operations:	
Net investment income (a)	0.45
Net realized and unrealized gain (loss) on investments	-
Total gain from investment operations	<u>0.45</u>
Net unit value, end of year	<u><u>\$13.72</u></u>

TOTAL RETURN	3.39%
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RATIOS AND SUPPLEMENTAL DATA

Net assets at end of year (in thousands)	\$99,495
Ratio of expenses to average net assets	- %
Ratio of net investment income to average net assets	3.35%

(a) Based on average units outstanding.

# GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST GOVERNOR'S SCHOLARSHIP PROGRAMS

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – ORGANIZATION

The Golden State ScholarShare College Savings Trust (the "Trust") was created pursuant to California statute in 1998 to help people save for the costs of education after high school. The Trust commenced operations on October 4, 1999. The Trust is administered by the ScholarShare Investment Board (the "Board"), its sole Trustee. The Board contracts with a Program Manager that follows approved investment policies and oversees all activities of the Trust. TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly-owned subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), and the Board entered into a Management Agreement to serve as Program Manager of the Governor's Scholarship Programs ("GSP") for the period from December 1, 2006 through June 30, 2010. TFI and the Board had entered into the Standard Agreement under which TFI and its affiliated companies and subcontractors provide services to the GSP. The Governor's Scholarship Programs are merit-based scholarship programs awarded to California students who demonstrate high academic achievement on various exams. Once an award is claimed, the award and interest is moved to a Student Scholarship Account naming the State of California ("State") as the Account Owner and the student as the Beneficiary. Scholarship awards, including earnings, are owned by the State until they are withdrawn to pay for the student's qualified higher education expenses at an eligible higher educational institution.

The GSP is invested in a separate Funding Agreement issued by TIAA-CREF Life Insurance Company ("TIAA-CREF Life"), a subsidiary of TIAA. The funding agreement provides the Trust with a guarantee of principal and a minimum annual rate of return of 3%, with the possibility of such additional returns as may be declared in advance by TIAA-CREF Life. These financial statements present only the Governor's Scholarship Programs and do not purport to, and do not, present the net assets, results of operations, changes in net assets or financial highlights of the Golden State ScholarShare College Savings Trust.

### NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which may require the use of estimates made by management and the evaluation of subsequent events through September 10, 2009. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Trust.

**Accounting for Investments:** Interest income is recorded as earned. Investment sales and purchases are recorded on the contractual date.

**Federal and State Income Tax:** No provision for income taxes has been made. The Trust constitutes a qualified tuition program under Section 529 of the Internal Revenue Code which exempts earnings on qualified withdrawals from federal income tax and does not have any unrelated business income subject to tax. Earnings are exempt from California income tax.

**Units:** The beneficial interest of each participant in the Investment Options is represented by Plan units. Subscriptions and redemptions are recorded upon receipt of participant's instructions in good order, based on the next determined net asset value per unit ("Unit Value"). Unit Values for each Investment Option are determined at the close of business of the New York Stock Exchange. There are no distributions of net investment gains or net investment income to the Investment Option's participants or beneficiaries.

**Valuation of Investments:** U.S. GAAP establishes a hierarchy that prioritizes market inputs to valuation methods. The three levels of inputs are:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Trust's own assumptions in determining the fair value of investments)

**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST  
GOVERNOR'S SCHOLARSHIP PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS – (Concluded)**

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

A description of the valuation techniques applied to the Trust's major categories of assets and liabilities measured at fair value follows:

**TIAA-CREF Life Funding Agreement:** The value is stated at the principal contributed and earnings credited less any withdrawals to date which in the good faith judgment of the Trust Manager approximates fair value. The Funding Agreement is categorized in Level 3 of the fair value hierarchy.

The following is a summary of the inputs used to value the Trust investments as of June 30, 2009:

**Golden State Scholarshare College Savings Trust**

	Level 1	Level 2	Level 3	Total
TIAA-CREF Life Insurance Co.	-	-	-	-
Funding Agreement	-	-	\$ 99,495,125	99,495,125
<b>Total</b>	-	-	<b>\$ 99,495,125</b>	<b>99,495,125</b>

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

	Investments in Securities
Balance as of 06/30/08	\$ 108,990,388
Accrued Discounts/Premiums	-
Realized Gain/Loss	-
Change in Unrealized Appreciation/Depreciation	-
Net Purchases/Sales	(9,495,263)
Net Transfers in and/or out of Level 3	-
<b>Balance as of 06/30/09</b>	<b>\$ 99,495,125</b>

**NOTE 3 -- AFFILIATES AND TRUST OVERSIGHT FEES**

Teachers Advisors, Inc. ("Advisors"), an affiliate of TFI, is registered with the Securities and Exchange Commission ("Commission") as an investment adviser. Teachers Personal Investors Services, Inc. ("TPIS"), an affiliate of TFI, and TIAA-CREF Individual & Institutional Services, LLC ("Services"), also an affiliate of TFI, both of which are registered with the Commission as broker-dealers and are members of the Financial Industry Regulatory Authority, provide the telephone counseling, marketing and customer information services required of TFI under the Standard Agreement. No fee is charged on the assets invested in the Trust; however, an expense fee is paid to TFI by TIAA-CREF Life for distribution, administration and other reasonable expenses.