

**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST**

**GOVERNOR'S SCHOLARSHIP PROGRAMS**

**Financial Statements**

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**June 30, 2012**

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

**INDEX  
June 30, 2012**

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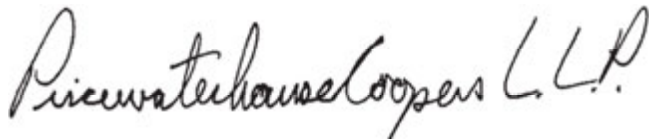
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## Report of Independent Auditors

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 and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the assets invested in the Governor's Scholarship Programs of the Golden State ScholarShare College Savings Trust (hereafter referred to as the "Trust") at June 30, 2012, and the results of its operations, the changes in its net assets and its 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 TIAA-CREF Tuition Financing, Inc (hereafter referred to as the "Program Manager"). Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these 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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP". The signature is written in dark ink and is positioned above the date.

August 10, 2012

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**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST**  
**GOVERNOR'S SCHOLARSHIP PROGRAMS**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**June 30, 2012**

ASSETS

Investments, at value:

TIAA-CREF Life Insurance Company-

Funding Agreement

\$84,240,108

TOTAL ASSETS

84,240,108

LIABILITIES

TOTAL LIABILITIES

-

-

NET ASSETS

\$84,240,108

UNITS OUTSTANDING

5,689,222

NET ASSET VALUE PER UNIT

\$14.81

Investments at cost

\$84,240,108

**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST**  
**GOVERNOR'S SCHOLARSHIP PROGRAMS**  
**STATEMENT OF OPERATIONS**  
**For the Year Ended June 30, 2012**

INVESTMENT INCOME

Income:

Interest

\$1,785,037

TOTAL INCOME

1,785,037

Expenses:

TOTAL EXPENSES

-

-

NET INVESTMENT INCOME

1,785,037

NET REALIZED AND UNREALIZED  
GAIN (LOSS) ON TOTAL INVESTMENTS

-

NET INCREASE  
IN NET ASSETS RESULTING  
FROM OPERATIONS

\$1,785,037

**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST**  
**GOVERNOR'S SCHOLARSHIP PROGRAMS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2012**

FROM OPERATIONS

Net investment income	\$1,785,037
Net realized gain (loss) on investments	-
Net change in unrealized appreciation (depreciation) on investments	-
	-

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	1,785,037
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FROM ACCOUNT OWNER TRANSACTIONS

Subscriptions	-
Redemptions	(5,178,884)
	(5,178,884)

NET DECREASE IN NET ASSETS RESULTING FROM FROM ACCOUNT OWNER TRANSACTIONS	(5,178,884)
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NET DECREASE IN NET ASSETS	(3,393,847)
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NET ASSETS

Beginning of year	87,633,955
End of year	84,240,108

UNITS

Sold	-
Redeemed	(353,733)
Net decrease	(353,733)

See notes to financial statements

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

**For the Year Ended June 30, 2012**

FOR A UNIT OUTSTANDING THROUGHOUT THE YEAR

Net unit value, beginning of year	\$14.50
Gain from investment operations:	
Net investment income (a)	0.31
Net realized and unrealized gain (loss) on investments	-
Total gain from investment operations	<u>0.31</u>
Net unit value, end of year	<u><u>\$14.81</u></u>

TOTAL RETURN 2.14%

RATIOS AND SUPPLEMENTAL DATA

Net assets at end of year (in thousands)	\$84,240
Ratio of expenses to average net assets	0.00%
Ratio of net investment income to average net assets	2.08%

(a) Based on average units outstanding.



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

**NOTES TO FINANCIAL STATEMENTS**

**Note 1 – Organization and Significant Accounting Policies**

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 higher education. The Trust commenced operations on October 4, 1999. The Trust is administered by the ScholarShare Investment Board (the “Board”), its sole Trustee. The Board also oversees the Governor’s Scholarship Programs (“GSP”). The GSP are merit-based scholarship programs awarded to California students who demonstrated 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 educational institution. In 2003, the Governor’s Scholarship Programs were repealed. No awards were granted to students who earned qualifying scores on exams taken after December 31, 2002. Awards granted to students and claimed prior to the deadline were placed into individual scholarship accounts and are administered by the ScholarShare Investment Board until the student withdraws the funds or until the student reaches the age of 30. TIAA-CREF Tuition Financing, Inc. (“TFI”), a wholly owned subsidiary of Teachers Insurance and Annuity Association of America (“TIAA”), has entered into a Management Agreement with the Board under which TFI serves as Program Manager of the GSP for the period July 1, 2010 to June 30, 2015.

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, with the possibility of such additional returns as may be declared in advance by TIAA-CREF Life. These financial statements present only the GSP and do not purport to, and do not, present the net assets, results of operations, changes in net assets or financial highlights of the Trust.

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 August 10, 2012. Actual results may differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the GSP.

**Investment valuation:** All investments are recorded at their estimated fair value as described in the valuation of investments note to the financial statements.

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

**Federal and state income tax:** No provision for federal income taxes has been made. The Trust includes plans designed to constitute a qualified tuition program under Section 529 of the Internal Revenue Code and does not expect to have any unrelated business income subject to tax.

**Units:** The beneficial interests of each participant in the Funding Agreement are represented by program 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”). The Unit Value of the Funding Agreement is determined at the close of business of the New York Stock Exchange. There are no distributions of net investment income to the Funding Agreement’s participants or beneficiaries.

**GOLDEN STATE SCHOLARSHARE COLLEGE SAVINGS TRUST  
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**NOTES TO FINANCIAL STATEMENTS (Concluded)**

**Note 2 – Valuation of Investments**

Investments are valued at fair value utilizing various valuation methods. 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 GSP's own assumptions in determining the fair value of investments)

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 GSP's major categories of assets and liabilities measured at fair value follows:

**Funding Agreement:** The TIAA-CREF Life Funding Agreement is valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of TIAA-CREF Life. The Funding Agreement has a floating rate of interest that resets annually based on a projected rate of return. The Funding Agreement is categorized in Level 3 of the fair value hierarchy.

Transfers between levels are recognized at the end of the reporting period. As of June 30, 2012, there were no transfers between levels by the Funding Agreement.

As of June 30, 2012, all investments in the Funding Agreement were categorized in Level 3 of the fair value hierarchy.

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

	Funding Agreement
Balance as of 6/30/2011	\$ 87,633,955
Realized Gain/Loss	-
Change in Unrealized Appreciation/Depreciation	-
Interest Income	1,785,037
Redemptions	(5,178,884)
Balance as of 6/30/2012	\$ 84,240,108

**Note 3 – Affiliates**

No fee is charged on the assets invested in the Funding Agreement; however, a fee is paid to TFI by TIAA-CREF Life.