Indiana Education Savings Authority

(A Component Unit of the State of Indiana)

Financial Statements

Years Ended June 30, 2008 and 2007

INDIANA EDUCATION SAVINGS AUTHORITY
(A Component Unit of the State of Indiana)

CONTENTS

	Pages
Independent Auditors' Report	1
Financial Statements	
Management's Discussion and Analysis	2-4
Statements of Net Assets	5
Statements of Revenues, Expenditures, and Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8-9

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Indiana Education Savings Authority

We have audited the statements of net assets of the

Indiana Education Savings Authority
(A Component Unit of the State of Indiana)

as of June 30, 2008 and 2007, and the related statements of revenues, expenditures and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Education Savings Authority as of June 30, 2008 and 2007, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

London Witte Group, LLC

September 8, 2008

INDIANA EDUCATION SAVINGS AUTHORITY
(A Component Unit of the State of Indiana)

Management Discussion and Analysis

June 30, 2008 and 2007

This section of the Indiana Education Savings Authority's (the Authority) annual financial report presents Management's discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2008 and 2007. Please read it in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- There was an increase of the number of participant accounts of 43,857 during fiscal year 2008 and an increase of 17,237 participant accounts during fiscal year 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements and notes. The Authority is an instrumentality of the State of Indiana and follows the enterprise fund reporting; accordingly, the financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long term financial information about the activities and operations of the Authority. The purpose of the Authority is to manage, promote, and advertise the CollegeChoice 529. These statements are presented in a manner similar to a private business.

The Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets provide information about the Authority's financial status. The Statements of Net Assets include all of the Authority's assets and liabilities and the Statements of Revenues, Expenses and Changes in Net Assets report all of the revenues and expenses during the time period. The Statements of Cash Flows report the cash provided and used by operating activities. The financial statements also include notes that explain and support the information in the statements.

INDIANA EDUCATION SAVINGS AUTHORITY
(A Component Unit of the State of Indiana)

Management Discussion and Analysis

June 30, 2008 and 2007

FINANCIAL ANALYSIS OF THE AUTHORITY

The following table is a condensed summary of financial information for the year ended June 30, 2008, 2007 and 2006:

	2008	2007	2006
Net Assets			
Current assets	$ 512,000	$ 852,300	$ 844,500
Total assets	512,000	852,300	844,500
Current liabilities	15,600	60,400	146,200
Total liabilities	15,600	60,400	146,200
Total Net Assets	496,400	791,900	698,300
Change in Net Assets			
Operating revenues	473,700	462,800	425,300
Operating expenses			
Marketing expense	(602,300)	(341,500)	(313,300)
Professional fees	(186,900)	(58,100)	(55,900)
Miscellaneous	(4,100)	-	(300)
Operating income (loss)	(319,600)	63,200	55,800
Interest Income	24,100	30,400	10,800
Change in Net Assets	$ (295,500)	$ 93,600	$ 66,600

Note: Amounts rounded to nearest one hundred ($100) dollars.

The components of current assets are cash and accounts receivable. Cash for 2008 has decreased approximately $390,900 due to lack of marketing reimbursements from JPMorgan. The $50,600 increase in 2008 accounts receivable was due to a reimbursement for marketing expenses outstanding as of the end of the fiscal year. Current liabilities are accounts payable.

Net assets are categorized as unrestricted and have decreased approximately $295,500 for the year ended June 30, 2008 and increased $93,600 for the year ending June 30, 2007 as a result of operating losses and gains respectively. There are no outside restrictions placed on the use of the Authority's net assets and the Authority has no capital assets which require a restriction to be reported on net assets.

INDIANA EDUCATION SAVINGS AUTHORITY
(A Component Unit of the State of Indiana)

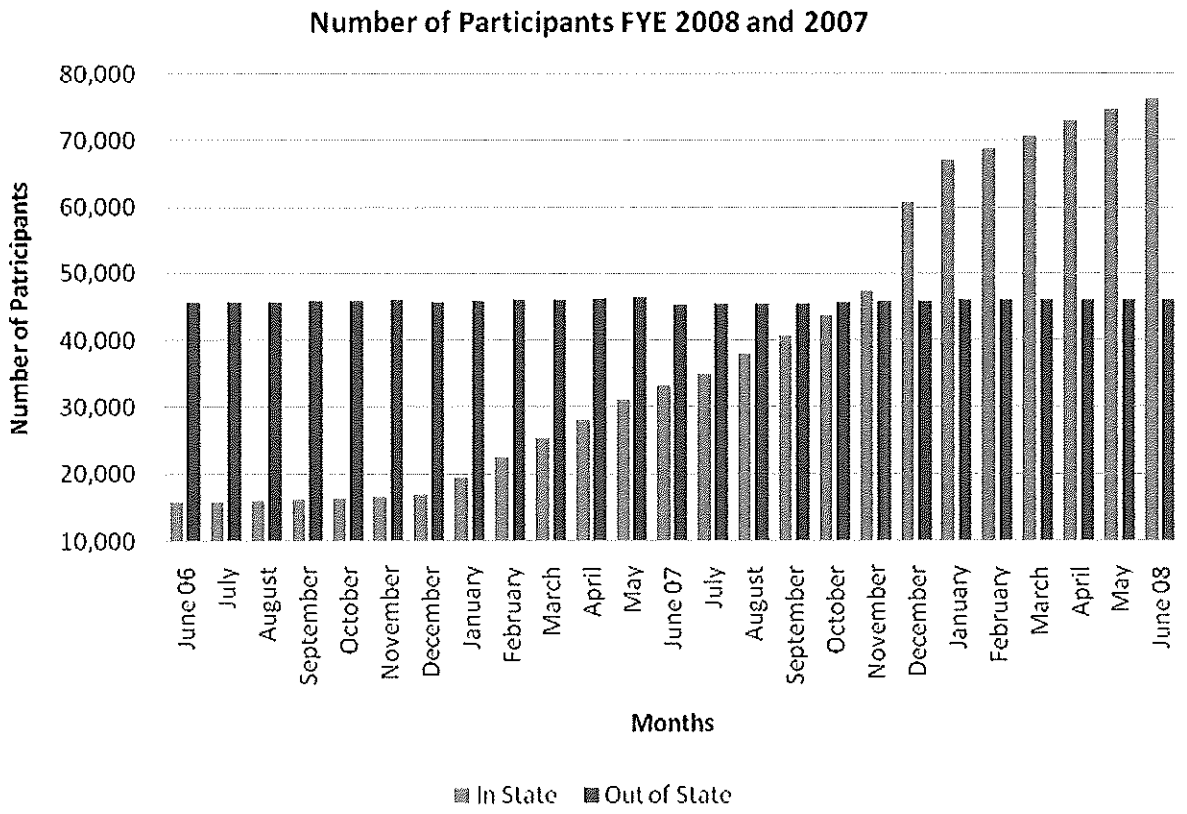
Management Discussion and Analysis

June 30, 2008 and 2007

Operating revenues consist of state authority fees paid by participants. Fee income increased approximately $10,900 from 2007 and 2007 increased $37,500 from 2006. These increases were a result of an increase in out of state participants in the plan.

Marketing costs increased for 2008 and 2007 due to JPMorgan not reimbursing marketing expenses. Professional fees are made up of legal, consulting and audit costs. The largest component of professional fees was for consulting fees with accounted for $142,000 in the current year due to costs associated with the transition between JPMorgan and UPromise.

The chart below details the change in the composition of the participants in the plan for each month during the years 2008 and 2007 between in state and out of state participants. As shown, the out of state participant numbers have stayed relatively constant while the growth in participants is occurring from in state.



INDIANA EDUCATION SAVINGS AUTHORITY
(A Component Unit of the State of Indiana)

Statements of Net Assets

June 30, 2008 and 2007

ASSETS

CURRENT ASSETS	2008	2007
Cash and cash equivalents	$ 459,230	$ 850,107
Accounts receivable	52,751	2,154
TOTAL CURRENT ASSETS	511,981	852,261

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	15,592	60,362

NET ASSETS

Unrestricted	496,389	791,899
TOTAL NET ASSETS	$ 496,389	$ 791,899

The accompanying notes are an integral part of these statements.

INDIANA EDUCATION SAVINGS AUTHORITY
(A Component Unit of the State of Indiana)

Statements of Revenue, Expenditures, and Changes in Net Assets

Years Ended June 30, 2008 and 2007

	Amount		Percent	
	2008	2007	2008	2007
OPERATING REVENUES				
Fee income	$ 473,688	$ 462,783	100.0	100.0
OPERATING EXPENDITURES				
Professional fees	186,941	58,100	39.5	12.6
Marketing / public relations	602,289	341,530	127.1	73.8
Miscellaneous	4,117	0	0.9	0.0
TOTAL OPERATING EXPENSES	793,347	399,630	167.5	86.4
OPERATING INCOME (LOSS)	(319,659)	63,153	(67.5)	13.6
NON OPERATING INCOME (LOSS)				
Interest income	24,149	30,435	5.1	6.6
CHANGE IN NET ASSETS	(295,510)	93,588	(62.4)	20.2
NET ASSETS, BEGINNING OF YEAR	791,899	698,311		
NET ASSETS, END OF YEAR	$ 496,389	$ 791,899		

The accompanying notes are an integral part of these statements.

INDIANA EDUCATION SAVINGS AUTHORITY
(A Component Unit of the State of Indiana)

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	$ 423,091	$ 704,090
Cash paid to vendors	(838,117)	(485,474)
Interest received	24,149	30,435
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(390,877)	249,051
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(390,877)	249,051
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	850,107	601,056
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 459,230	$ 850,107

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (295,510)	$ 93,588
Decrease (increase) in assets		
Accounts receivable	(50,597)	241,307
Increase (decrease) in liabilities		
Accounts payable	(44,770)	(85,844)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (390,877)	$ 249,051

The accompanying notes are an integral part of these statements.

INDIANA EDUCATION SAVINGS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2008 and 2007

(1) Summary of significant accounting policies

The significant policies followed by the Indiana Education Saving Authority are summarized as follows:

Nature of operations - The Indiana Education Savings Authority is an instrumentality of the State of Indiana created in 1996 by the Indiana General Assembly in I.C. 21-9. The purpose of the Indiana Education Savings Authority (the "Authority") is to implement, promote and administer education savings programs for residents of the State of Indiana. The Authority established the CollegeChoice 529 Investment Plan.

The CollegeChoice 529 Investment Plan, an IRS Section 529 plan, provides a vehicle for saving funds on a tax exempt basis, for use in paying qualified higher education expenses. The earnings of the owner's account are exempt from federal taxation. The CollegeChoice 529 Investment Plan Trust was created to receive, invest and disburse funds for the benefit of the account beneficiaries.

The financial statements of the Indiana Education Savings Authority are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority is required to implement GASB 34 with these financial statements. The aspects of financial statements content and format, as prescribed by GASB Statement 34, have been implemented in the financial statements, effective for the year ended June 30, 2005.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of these notes are organized to provide explanations, including required disclosures, of the Authority's financial activities for the years ended June 30, 2008 and 2007.

Revenue recognition - The Authority receives a $10 state authority fee from each out of state applicant enrolled in the CollegeChoice 529 Investment Plan. Fees are received on a calendar year basis and are recognized in the period earned.

Cash and cash equivalents - The Authority considers cash and cash equivalents to be cash on hand, in bank accounts, and highly liquid investments with an original maturity of three months or less. At times, such cash may be in excess of the FDIC insurance limit.

Advertising - Advertising costs are expensed when incurred. Advertising expenditures net of reimbursements from JPMorgan Asset Management for the years ended June 30, 2008 and 2007 were $602,289 and $341,530, respectively. JPMorgan Asset Management, under contract, reimburses the Authority for advertising expenses made to promote the program.

Net Assets - The Authority's resources are classified for accounting and financial reporting purposes as unrestricted. The net assets are available for use by the Authority.

Operating Revenues - Revenues are classified as either operating or nonoperating. Operating revenues are state authority fees received from participants. All other items are considered nonoperating.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Commitment and concentration

In 2000, the Authority signed a five year service agreement with JPMorgan Asset Management, which designates JPMorgan Asset Management as the primary provider of investment and administrative services for the CollegeChoice 529 Investment Plan, as well as, the trustee for the CollegeChoice 529 Investment Plan Trust. In exchange JPMorgan Asset Management committed to spend a minimum amount to market the Program for each of the program years until the agreement's expiration on December 13, 2006. The Authority has renewed this contract three times since it's original expiration. The latest agreement states that the Authority and JPMorgan agree that the current term of the Service Provider Agreement, which would expire on June 30, 2008 is extended until the earlier of (i) the completion of the transfer of the Program's assets on the Monday after the conversion of the Program from JPMorgan to UPromise Investments, Inc. or (ii) September 30, 2008. In addition, the contract may be extended past September 30, 2008 by mutual agreement of parties. As of the September 8, 2008, the conversion to UPromise had not occurred. The Authority received $0 in 2008 and $293,689 in 2007 for reimbursement of the marketing of the Plan. These amounts were partially for 2007 and 2006 expenses which were recorded as a receivable in those years. There was $50,000 recorded as a receivable during 2008 and $0 recorded as a receivable for 2007 for marketing expenses incurred by the Authority which will be reimbursed by JPMorgan Asset Management/Chase Bank.

(3) Payments made on behalf of The Authority

The Indiana Board for Depositories (Board) is allowed through legislation to pay expenses of the Indiana Education Savings Authority through the year 2011. The Board currently pays the salary of the executive director of the CollegeChoice 529 Investment Plan, the entire lease payment for office space that the Board and the Authority share, as well as, some of the Authority's legal fees. These expenses were $87,173 for 2008 and $101,168 for 2007.

September 8, 2008

To the Board of Directors of the
Indiana Education Savings Authority

In planning and performing our audit of the financial statements of the Indiana Education Savings Authority for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing our an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted no matters involving the internal control and other operational matters that we are required to report to you.

This communication is intended solely for the information and use of management, the board of directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

London Witte Group, LLC

London Witte Group, LLC