



STATE OF INDIANA
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June 29, 2011

Ms. Jodi Golden, Executive Director
Indiana Education Savings Authority
One North Capitol Avenue, Suite 444
Indianapolis, IN 46204

Dear Ms. Golden:

We have received the audit report prepared by London Witte Group, LLC, Certified Public Accountants, for the period July 1, 2009 to June 30, 2010. Per the auditors' opinion, the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the financial statements included in the report present fairly the financial condition of the Indiana Education Savings Authority as of June 30, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a public record.

STATE BOARD OF ACCOUNTS

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

Financial Statements

Years Ended June 30, 2010 and 2009

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	8-10

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of 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, 2010 and 2009 and the related management discussion and analysis, 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 Indiana Education Savings Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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, 2010 and 2009 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

London Witte Group, LLC

October 7, 2010

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

Management Discussion and Analysis

June 30, 2010 and 2009

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, 2010 and 2009. Please read it in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- As of June 30, 2010 there were 169,710 total participant accounts. There was an increase of the number of participant accounts of 25,469 during fiscal year 2010 and an increase of 23,498 participant accounts during fiscal year 2009.

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, 2010 and 2009

FINANCIAL ANALYSIS OF THE AUTHORITY

The following table is a condensed summary of financial information for the year ended June 30, 2010, 2009 and 2008:

	2010	2009	2008
Net Assets			
Current assets	\$ 367,200	\$ 295,400	\$ 512,000
Total assets	367,200	295,400	512,000
Current liabilities	19,800	26,700	15,600
Total liabilities	19,800	26,700	15,600
Total Net Assets	347,400	268,700	496,400
Change in Net Assets			
Operating revenues	704,500	708,000	473,700
Operating expenses			
Marketing expense	(546,700)	(767,700)	(602,300)
Professional fees	(66,800)	(165,600)	(186,900)
Miscellaneous	(12,900)	(6,600)	(4,100)
Operating income (loss)	78,100	(231,900)	(319,600)
Interest Income	300	4,000	24,100
Other Income	300	-	-
Change in Net Assets	\$ 78,700	\$ (227,900)	\$ (295,500)

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

The components of current assets are cash and accounts receivable. Cash for 2010 has increased approximately \$55,400 due to decreases in marketing expenses. The \$16,400 increase in 2010 accounts receivable was attributable to a higher value of daily net asset balances than in the prior year as of June 30th. Current liabilities are accounts payable.

Net assets are categorized as unrestricted and have increased approximately \$78,700 for the year ended June 30, 2010 and decreased \$227,900 for the year ending June 30, 2009 as a result of operating income and losses. 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)**

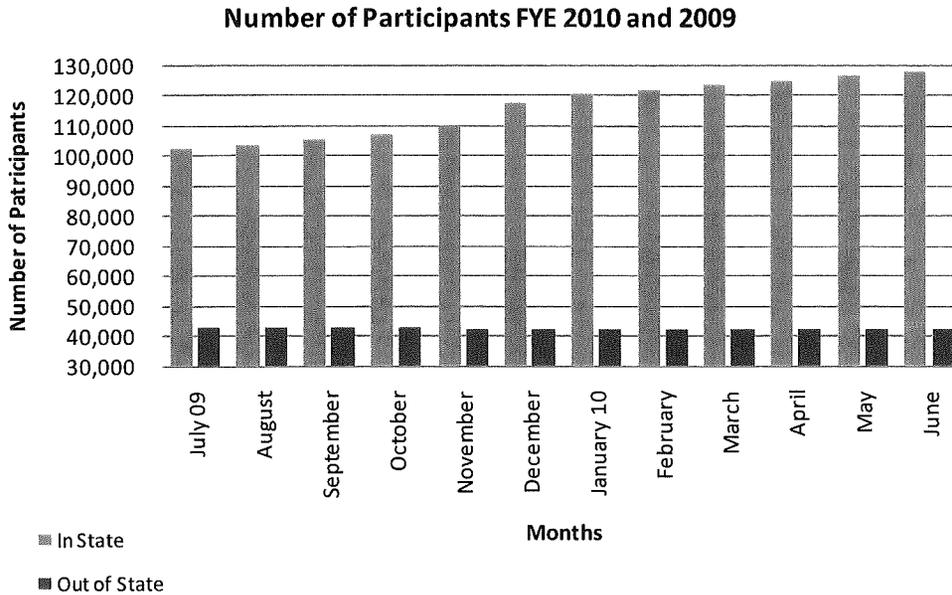
Management Discussion and Analysis

June 30, 2010 and 2009

Operating revenues consist of state authority fees paid by UPromise. Fee income decreased approximately \$3,500 from 2010 compared to 2009; in 2009 it increased \$234,300 compared to 2008. The increase from 2008 is due to the transition from JP Morgan to UPromise. UPromise now pays the Authority based on the value of their daily net asset balances. This has led to an increase in revenues to the Authority. Operating revenues for 2010 are slightly lower than 2009 due to periodic decreases in the daily net asset balances from month to month.

The board of directors approved a decrease in the operating budget for 2010 as a result of economic downturn which accounted for the majority of the decrease in marketing expense and professional fees. The largest component of professional fees were for consulting which accounted for \$50,000 in the current year due to costs associated with consultations on investments offered by the Authority.

The chart below details the change in the composition of the participants in the plan for each month during the years 2010 and 2009 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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 303,742	\$ 248,371
Accounts receivable	<u>63,491</u>	<u>47,008</u>
TOTAL CURRENT ASSETS	<u><u>367,233</u></u>	<u><u>295,379</u></u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	<u>19,828</u>	<u>26,723</u>
<u>NET ASSETS</u>		
Unrestricted	<u>347,405</u>	<u>268,656</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 367,233</u></u>	<u><u>\$ 295,379</u></u>

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, 2010 and 2009

	Amount		Percent	
	2010	2009	2010	2009
OPERATING REVENUES				
Fee income	\$ 704,512	\$ 708,077	100.0	100.0
OPERATING EXPENDITURES				
Professional fees	66,762	165,625	9.5	23.4
Marketing / public relations	546,678	767,654	77.6	108.4
Miscellaneous	12,918	6,572	1.8	0.9
TOTAL OPERATING EXPENSES	626,358	939,851	88.9	132.7
OPERATING INCOME (LOSS)	78,154	(231,774)	11.1	(32.7)
NON OPERATING INCOME (LOSS)				
Other Income	300	0	0.0	0.0
Interest income	295	4,039	0.0	0.6
CHANGE IN NET ASSETS	78,749	(227,735)	11.1	(32.1)
NET ASSETS, BEGINNING OF YEAR	268,656	496,391		
NET ASSETS, END OF YEAR	\$ 347,405	\$ 268,656		

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	\$ 688,028	\$ 713,821
Cash paid to vendors	(633,252)	(928,720)
Other Income	300	0
Interest received	<u>295</u>	<u>4,040</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>55,371</u>	 <u>(210,859)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 55,371	 (210,859)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>248,371</u>	 <u>459,230</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 303,742</u>	 <u>\$ 248,371</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 78,749	\$ (227,735)
Decrease (increase) in assets		
Accounts receivable	(16,484)	5,744
Increase (decrease) in liabilities		
Accounts payable	<u>(6,894)</u>	<u>11,132</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 55,371</u>	 <u>\$ (210,859)</u>

The accompanying notes are an integral part of these statements.

INDIANA EDUCATION SAVINGS AUTHORITY

(A Component Unit of the State of Indiana)

Notes to Financial Statements

Years Ended June 30, 2010 and 2009

(1) Summary of significant accounting policies

The significant policies followed by the Indiana Education Savings 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, 2010 and 2009.

Revenue recognition - The Authority receives a one-tenth of one percent (.1%) fee based on the ending daily net asset value for each account. Fees are received monthly 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.

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

Notes to Financial Statements

Years Ended June 30, 2010 and 2009

(1) Summary of significant accounting policies (continued)

Advertising - Advertising costs are expensed when incurred. Advertising expenditures for the years ended June 30, 2010 and 2009 were \$546,678 and \$767,654, respectively.

Accounts Receivable- The Authority carries accounts receivable at cost. They represent amounts due from JP Morgan Chase for checking account interest and amounts due from UPromise for revenue earned on CollegeChoice investment plant account balances prior to year end. There is no allowance for doubtful accounts, as historically revenues due from banks and investment management companies have been collected in their entirety.

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 UPromise. 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.

Susequent events – Subsequent events have been evaluated through October 7, 2010, which is the date the financial statements were available to be issued.

(2) 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 \$99,732 for 2010 and \$108,679 for 2009.

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

Notes to Financial Statements

Years Ended June 30, 2010 and 2009

(3) Commitment and concentration

On August 14 2008, the Authority signed a five year service agreement with UPromise, which designates UPromise 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, UPromise committed to spend a minimum amount to market the Program for each of the years until the agreement's expiration. The agreement with UPromise states that they will spend a minimum of \$150,000 per calendar year plus a cost of living adjustment on marketing. UPromise will also provide foundation materials such as disclosure statements and enrollment forms and kits that will not be charged against the commitment. UPromise committed to spend \$157,410 for both calendar years 2010 and 2009. UPromise spent \$152,709 in 2009, with the remaining balance of \$4,701 rolling into the 2010 budget. UPromise has spent \$55,425 through June 30, 2010.

October 7, 2010

To the Board of Directors
of Indiana Education Savings Authority

In planning and performing our audit of the financial statements of Indiana Education Savings Authority for the year ended June 30, 2010, 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.

A control deficiency 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 combination of deficiencies in internal control, that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. However, during the audit, we noted no matters involving the internal control and other operational matters that we are required to report to you.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended for the information of management.

London Witte Group, LLC

London Witte Group, LLC