



STATE OF INDIANA
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February 21, 2012

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, 2010 to June 30, 2011. 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, 2011 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, 2011 and 2010

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

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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, 2011 and 2010 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 Company'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 the Company as of June 30, 2011 and 2010 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

September 20, 2011

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

Management Discussion and Analysis

June 30, 2011 and 2010

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, 2011 and 2010. Please read it in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- As of June 30, 2011 there were 193,877 total participant accounts. There was an increase of the number of participant accounts of 24,167 during fiscal year 2011 and an increase of 25,469 participant accounts during fiscal year 2010.

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, 2011 and 2010

FINANCIAL ANALYSIS OF THE AUTHORITY

The following table is a condensed summary of financial information for the year ended June 30, 2011, 2010 and 2009:

	2011	2010	2009
Net Assets			
Current assets	\$ 565,800	\$ 367,200	\$ 295,400
Total assets	565,800	367,200	295,400
Current liabilities			
Current liabilities	31,300	19,800	26,700
Total liabilities	31,300	19,800	26,700
Total Net Assets	534,500	347,400	268,700
Change in Net Assets			
Operating revenues	892,500	704,500	708,000
Operating expenses			
Marketing expense	(500,800)	(546,700)	(767,700)
Professional fees	(185,700)	(66,800)	(165,600)
Miscellaneous	(18,900)	(12,900)	(6,600)
Operating income (loss)	187,100	78,100	(231,900)
Interest Income	-	300	4,000
Other Income	-	300	-
Change in Net Assets	\$ 187,100	\$ 78,700	\$ (227,900)

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

The components of current assets are cash and accounts receivable. Cash for 2011 has increased approximately \$181,500 due to an increase in operating revenues which surpassed the increase in operating expenses. The \$17,100 increase in 2011 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 \$187,100 for the year ended June 30, 2011 and increased \$78,700 for the year ending June 30, 2010 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

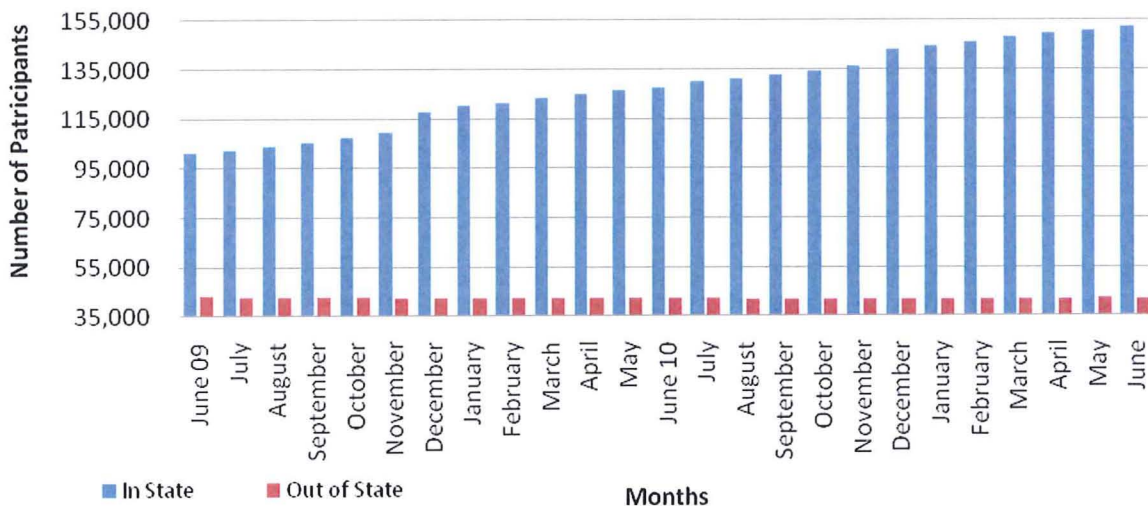
June 30, 2011 and 2010

Operating revenues consist of state authority fees paid by UPromise. Fee income increased approximately \$188,000 from 2011 compared to 2010; in 2010 it decreased \$3,500 compared to 2009. The increase from 2010 is due an increase in the value of the daily net assets balances. UPromise pays the Authority based on the value of their daily net asset balances. This has led to an increase in revenues to the Authority.

The board of directors approved a decrease in the operating budget for 2011 as a result of a conservative take on the condition of the economy and the desire to build up a reserve of funds. While marketing expense decrease because of the lower budget, professional fees increased as a result of work done on the new College Savings Bank contract and disclosure statement. The largest component of professional fees were for consulting which accounted for \$104,600 in the current year due to costs associated with consultations on investments offered by the Authority and work done on a new disclosure statement.

The chart below details the change in the composition of the participants in the plan for each month during the years 2011 and 2010 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.

Number of Participants FYE 2010 and 2011



INDIANA EDUCATION SAVINGS AUTHORITY
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Statements of Net Assets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 485,237	\$ 303,742
Accounts receivable	<u>80,574</u>	<u>63,491</u>
TOTAL CURRENT ASSETS	<u><u>565,811</u></u>	<u><u>367,233</u></u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	<u>31,345</u>	<u>19,828</u>
<u>NET ASSETS</u>		
Unrestricted	<u>534,466</u>	<u>347,405</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>565,811</u></u>	\$ <u><u>367,233</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, 2011 and 2010

	Amount		Percent	
	2011	2010	2011	2010
OPERATING REVENUES				
Fee income	\$ 892,473	\$ 704,512	100.0	100.0
OPERATING EXPENDITURES				
Professional fees	185,703	66,762	20.8	9.5
Marketing / public relations	500,846	546,678	56.1	77.6
Miscellaneous	18,863	12,918	2.1	1.8
TOTAL OPERATING EXPENSES	705,412	626,358	79.0	88.9
OPERATING INCOME (LOSS)	187,061	78,154	21.0	11.1
NON OPERATING INCOME (LOSS)				
Other Income	0	300	0.0	0.0
Interest income	0	295	0.0	0.0
CHANGE IN NET ASSETS	187,061	78,749	21.0	11.1
NET ASSETS, BEGINNING OF YEAR	347,405	268,656		
NET ASSETS, END OF YEAR	\$ 534,466	\$ 347,405		

The accompanying notes are an integral part of these statements.

INDIANA EDUCATION SAVINGS AUTHORITY
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Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from participants	\$ 875,389	\$ 688,028
Cash paid to vendors	(693,894)	(633,252)
Other Income	0	300
Interest received	0	295
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 181,495	 55,371
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 181,495	 55,371
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 303,742	 248,371
 CASH AND CASH EQUIVALENTS, END OF YEAR	 \$ 485,237	 \$ 303,742
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 187,061	\$ 78,749
Decrease (increase) in assets		
Accounts receivable	(17,083)	(16,484)
Increase (decrease) in liabilities		
Accounts payable	11,517	(6,894)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 \$ 181,495	 \$ 55,371

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, 2011 and 2010

(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, 2011 and 2010.

Revenue recognition - The Authority receives a one-tenth of one percent (.1%) fee based on the ending daily net asset value for each account in the Advisor plan. 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
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Notes to Financial Statements

Years Ended June 30, 2011 and 2010

(1) Summary of significant accounting policies (continued)

Advertising - Advertising costs are expensed when incurred. Advertising expenditures for the years ended June 30, 2011 and 2010 were \$500,846 and \$546,678, respectively.

Accounts Receivable- The Authority carries accounts receivable at cost. They represent 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 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 September 20, 2011, 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 majority of 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 \$96,360 for 2011 and \$99,732 for 2010.

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Notes to Financial Statements

Years Ended June 30, 2011 and 2010

(3) Commitment and concentration

On August 14 2008, the Authority signed a ten 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 2011 and 2010. In addition, the remaining unspent funds from the 2009 budget of \$4,701 were rolled into the 2010 budget for a total budget of \$162,111. UPromise spent \$157,924 in 2010, with the remaining balance of \$4,187 rolling into the 2011 budget. UPromise has spent \$42,795 through June 30, 2011.

On December 14, 2010, the Authority signed a contract with College Savings Bank (CSB) to serve as the administrator of FDIC insured Certificate of Deposit products that the Authority will now offer through the CollegeChoice 529 Investment Plan. The contract period is five years as of the earlier of March 1, 2011 or the date on which all conditions have been satisfied or waived. The CollegeChoice CD 529 plan was officially launched on April 15, 2011. Per the contract, the Authority designates CSB as program manager of the CSB Plan and depository for the purpose of facilitating the receipt, investment, and distribution of funds contributed to the Accounts. CSB also commits to developing a marketing plan on an annual basis with the Authority. CSB will assume the cost of preparing and executing the agreed upon annual marketing plan including all out of pocket expenses. CSB is committed to spend through the one year anniversary date of the CSD Plan start date a minimum of \$150,000. In subsequent years, CSB will continue to provide value added marketing to the CSB Plan and spend a minimum dollar amount equal to 25 basis points (.0025) times CD deposits from the prior year's account originations. CSB has spent \$144,286 for marketing costs through June 30, 2011

September 20, 2011

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, 2011, 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.

A handwritten signature in black ink that reads "London Witte Group, LLC". The signature is written in a cursive, flowing style.

London Witte Group, LLC