RESPONSIBLE OPTIONS for LITERACY & LENDING in EDUCATION

Indiana Secondary Market for Education Loans, Inc. d/b/a INvestEd

Financial Statements and Supplemental Information for the Years Ended June 30, 2017 and 2016, and Independent Auditors' Report

INDIANA SECONDARY MARKET FOR EDUCATION LOANS, INC. d/b/a INvestEd

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Independent Auditors' Report

Board of Directors
Indiana Secondary Market for Education Loans, Inc.
d/b/a INvestEd

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Secondary Market for Education Loans, Inc. d/b/a INvestEd, a component unit of the State of Indiana, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Uniform Compliance Guidelines for Audit of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Katz, Sapper & Miller, LLP
Certified Public Accountants

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Indianapolis, IN 46240

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An Affiliate of
KSM Business Services, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Indiana Secondary Market for Education Loans, Inc. d/b/a INvestEd as of June 30, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017 on our consideration of Indiana Secondary Market for Education Loans, Inc. d/b/a INvestEd's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indiana Secondary Market for Education Loans, Inc. d/b/a INvestEd's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 19, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This financial discussion, analysis, and overview of Indiana Secondary Market for Education Loans, Inc. d/b/a INvestEd (INvestEd) is required supplementary information. Among other things, it provides an analytical overview of INvestEd's condensed financial information and should be read in conjunction with the financial statements and related notes that follow.

Overview of Indiana Secondary Market for Education Loans, Inc. d/b/a INvestEd

Indiana Secondary Market for Education Loans, Inc. was established pursuant to Public Law No. 154 of the 1980 Indiana General Assembly and is a public benefit corporation organized exclusively for education purposes. The Indiana Secondary Market for Education Loans, Inc. began operating under the d/b/a of INvestEd in November 2016. INvestEd serves as the State of Indiana's designated secondary market for education loans and acts as an eligible lender under the Higher Education Act, as amended. INvestEd's enabling statute was amended effective April 30, 2013, with the signing of SB 532. SB 532 permits INvestEd to become a direct lender of non-federal, post-secondary education supplemental loans for the purpose of attending both Indiana and non-Indiana colleges and universities. SB 532 also mandates that INvestEd engage in financial literacy activities.

INvestEd is currently governed by a nine-member Board of Directors each of whom is appointed by the Governor of the State of Indiana and serve three year terms. Taxable floating rate notes and existing cash balances are the primary sources of funding for INvestEd's programs. The Health Care and Education Reconciliation Act of 2010 (HCEARA) eliminated the origination of new Federal Family Education Loan Program (FFELP) loans after June 30, 2010. This did not impact the terms of existing FFELP loans. INvestEd continues to administer a program for the servicing of loans guaranteed and reinsured by the United States Department of Education (US DOED). In addition, INvestEd has a teaming arrangement for servicing loans originated under the Federal Direct Student Loan Program working with the Higher Education Loan Authority of the State of Missouri (MOHELA).

With the change to its enabling statue, INvestEd has created a number of tuition and refinancing private loan products. These products are designed to facilitate access for all Indiana residents to educational funding at the lowest possible cost. In addition, INvestEd continues to expand its support for Indiana residents' pursuit of access to higher education opportunities by providing informational presentations and distributing educational materials related to education funding.

INvestEd's financial statements consist of the following: the statements of net position, the statements of revenues, expenses and changes in net position, the statements of cash flows and the related notes. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The statements of net position present the net position of INvestEd as of June 30, 2017 and 2016 and include all assets, liabilities and net position of INvestEd. The statements of revenues, expenses and changes in net position present INvestEd's changes in net position for the years ended June 30, 2017 and 2016. The statements of cash flows provide information about the sources and uses of INvestEd's cash resources for the years ended June 30, 2017 and 2016.

INDIANA SECONDARY MARKET FOR EDUCATION LOANS, INC. d/b/a INvestEd

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Condensed Financial Information (in thousands)

Statement of Net Position as of June 30,	**2017**	**2016**	**2015**
Cash and investments	$ 130,859	$ 123,805	$ 131,561
Student loans receivable—net	112,909	128,295	141,481
Other assets	3,682	4,002	4,456
Total assets	$ 247,450	$ 256,102	$ 277,498
Notes payable	$ 101,792	$ 119,034	138,514
Other liabilities	928	1,194	1,226
Total liabilities	102,720	120,228	139,740
Total net position	144,730	135,874	137,758
Total liabilities and net position	$ 247,450	$ 256,102	$ 277,498

INDIANA SECONDARY MARKET FOR EDUCATION LOANS, INC. d/b/a INvestEd

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Condensed Financial Information (in thousands)

Results Years Ended June 30,	**2017**	**2016**	**2015**
Interest on student loans, including subsidy	$ 4,750	$ 4,952	$ 5,418
Special allowance on student loans	(2,125)	(2,828)	(3,289)
Other income	264	288	484
Total operating revenues	2,889	2,412	2,613
Fees	42	44	74
Loan servicing and administration	3,363	3,247	3,228
Total operating expenses	3,405	3,291	3,302
Net loss from operations	(516)	(879)	(689)
Gain on repurchase of bonds payable			89
Net gain on investments	11,132	524	2,392
Interest expense	(1,760)	(1,529)	(1,381)
Debt issuance costs			(995)
Total nonoperating revenues (expenses)	9,372	(1,005)	105
Change in net position	8,856	(1,884)	(584)
Net Position - Beginning of Year	135,874	137,758	138,342
Net Position - End of year	$ 144,730	$ 135,874	$ 137,758

Financial Analysis

Statement of Net Position

As of June 30, 2017, total assets decreased $8.7 million compared to a decrease in liabilities of $17.5 million. This resulted in an increase to INvestEd's net position of $8.9 million or 6.5%. This increase in net position is due to an increase in cash and investments from managed investment portfolio gains. This compares to a decrease of 1.4% in the prior fiscal year which was a result of a decrease in cash and loans receivable and losses in the managed investment portfolio.

Cash and investments increased 5.7% to $130.9 million compared to a balance of $123.8 million at June 30, 2016. The increase in cash and investments is a result of investment gains due to market results.

Student loans receivable decreased 12.0% from $128.3 million at June 30, 2016 to $112.9 million at June 30, 2017, compared to a 9.3% decrease in the prior fiscal year. This decrease is primarily due to cash receipts consisting of borrower and claim payments, and loan consolidations in excess of loan additions and capitalized interest. As of June 30, 2017, the student loan portfolio held by INvestEd consists of 98.6% FFELP loans, which is made up of 88% consolidation loans and 12% Stafford and PLUS Loans. The remaining 1.4% is private education loans either originated or purchased by INvestEd.

Other assets decreased 8.0% from $4.0 million at June 30, 2016 to $3.7 million at June 30, 2017. This decrease is due to a decrease in student loan interest receivable as the portfolio size decreases.

Liabilities decreased 14.6% from $120.2 million at June 30, 2016 to $102.7 million at June 30, 2017 compared to a decrease of 14.0% in the prior fiscal year. This results from the decrease in notes payable as monthly principal payments are required based upon available funds in the trust accounts.

Total net position at June 30, 2017, increased 6.5% to $144.7 million compared to $135.9 million at June 30, 2016. This compares to a decrease of 1.4% in the prior fiscal year.

Operating Results

INvestEd's net loss from operations decreased $0.4 million on operating revenues of $2.9 million in the fiscal year ended June 30, 2017, compared to a net loss from operations of $0.9 million from operating revenues of $2.4 million in the prior fiscal year. Total operating revenues increased 19.8% in the fiscal year ended June 30, 2017, compared to a decrease of 7.7% in the prior fiscal year. Interest income on student loans continues to decrease along with special allowance income as the portfolio pays down over time.

Nonoperating revenues and expenses increased $10.4 million during fiscal year ended June 30, 2017, compared to a decrease of $1.1 million in the prior fiscal year. This increase was due to income, gains and appreciation of the managed investment portfolio. The decrease in fiscal year 2016 was due to declines in investment earnings of $1.9 million.

Loan Servicing and INvestEd's Loan Programs

INvestEd utilizes Pennsylvania Higher Education Assistance Agency, Xerox Education Services, LLC, and Great Lakes Education Loan Services, Inc. to service its FFELP portfolio.

INvestEd has a contract with Aspire Resources, Inc. to service the HELP private loan portfolio. Effective June 1, 2016, INvestEd contracted with Campus Door and First Merchants Bank, to originate the private loan portfolio including tuition and refinance loans. Pennsylvania Higher Education Assistance Agency is the loan servicing provider for this portfolio.

Additional contract compliance, loan servicing support and quality control functions are performed in INvestEd's Carmel, Indiana location for the student loan portfolios.

Requests of Information

This financial report is designed to provide a general overview of INvestEd's financial statements for all those with an interest in INvestEd. Questions concerning any of the information should be addressed to Indiana Secondary Market for Education Loans, Inc. d/b/a INvestEd, 11595 North Meridian Street, Suite 200, Carmel, Indiana 46032.

FINANCIAL STATEMENTS

INDIANA SECONDARY MARKET FOR EDUCATION LOANS, INC. d/b/aINvestEd

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2017 AND 2016
(In thousands)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and equivalents:		
Unrestricted	$ 13,348	$ 15,773
Restricted	1,785	1,640
Total cash and equivalents	15,133	17,413
Short-term investments:		
Unrestricted	94,962	86,451
Student loans receivable — net	9,322	10,814
Accrued interest receivable — student loans receivable	2,724	3,340
Accrued interest receivable — cash and short-term investments	152	140
Prepaids and other assets	657	330
Total current assets	122,950	118,488
NON-CURRENT ASSETS:		
Investments	20,764	19,941
Student loans receivable — net	103,587	117,481
Capital assets — net	149	192
Total non-current assets	124,500	137,614
TOTAL	$ 247,450	$ 256,102
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 905	$ 1,182
Accrued interest payable	23	12
Current portion of notes payable — net	17,682	16,102
Total current liabilities	18,610	17,296
NOTES PAYABLE — net	84,110	102,932
Total non-current liabilities	84,110	102,932
Total liabilities	102,720	120,228
NET POSITION:		
Net investment in capital assets	149	192
Unrestricted	142,796	134,042
Restricted	1,785	1,640
Total net position	144,730	135,874
TOTAL	$ 247,450	$ 256,102

See notes to financial statements.

INDIANA SECONDARY MARKET FOR EDUCATION LOANS, INC. d/b/a INvestEd

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	2017	**2016**
OPERATING REVENUES:		
Interest on student loans	$ 4,355	$ 4,481
U.S. Secretary of Education:		
Special allowance	(2,125)	(2,828)
Interest subsidy	395	471
Other income	264	288
Total operating revenues	2,889	2,412
OPERATING EXPENSES:		
Fees	42	44
Loan servicing and administration	3,363	3,247
Total operating expenses	3,405	3,291
LOSS FROM OPERATIONS	(516)	(879)
NONOPERATING REVENUES (EXPENSES):		
Investment income	11,132	524
Interest expense	(1,760)	(1,529)
Total nonoperating revenues (expenses)	9,372	(1,005)
CHANGE IN NET POSITION	8,856	(1,884)
NET POSITION — Beginning of year	135,874	137,758
NET POSITION — End of year	$ 144,730	$ 135,874

See notes to financial statements.

INDIANA SECONDARY MARKET FOR EDUCATION LOANS, INC. d/b/a INvestEd

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student loan interest received, net of special allowance payments	$ 3,242	$ 2,583
Purchase of student loans	(5,266)	(6,245)
Principal receipts on student loans	20,652	19,431
Cash received for other operating activities	266	291
Cash payments for employees and vendors	(3,904)	(3,291)
Net cash provided by operating activities	14,990	12,769
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturity of certificates of deposit	1,755	5,822
Purchases of certificates of deposit	(250)	
Proceeds from sale of investments	27,769	21,675
Purchases of investments	(30,745)	(30,008)
Dividends and interest received, net of expenses	3,257	2,813
Net cash provided by investing activities	1,786	302
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Repayment of notes	(17,301)	(19,545)
Interest paid on bonds	(1,749)	(1,536)
Net cash used by noncapital financing activities	(19,050)	(21,081)
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Purchase of capital assets, net	(6)	(7)
Net cash used by capital activities	(6)	(7)
CHANGE IN CASH AND EQUIVALENTS	(2,280)	(8,017)
CASH AND EQUIVALENTS — Beginning of year	17,413	25,430
CASH AND EQUIVALENTS — End of year	$ 15,133	$ 17,413

See notes to financial statements.

INDIANA SECONDARY MARKET FOR EDUCATION LOANS, INC. d/b/a INvestEd

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	2017	2016
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Loss from operations	$ (516)	$ (879)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization expense	448	772
Loss on sales and disposal of capital assets	1	2
Provision for allowance for loan losses, net of write-offs and recoveries	(98)	37
Interest on student loans recapitalized	(2,797)	(2,873)
Change in assets and liabilities:		
Decrease in student loans receivable	17,940	15,372
Decrease in accrued interest receivable	616	459
Increase in prepaids and other assets	(327)	(96)
Decrease in other liabilities	(277)	(25)
Net cash provided by operating activities	$ 14,990	$ 12,769

See notes to financial statements.

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business - Indiana Secondary Market for Education Loans, Inc., d/b/a INvestEd (INvestEd) is an Indiana public benefit corporation formed to purchase and originate student loans under the Federal Family Education Loan Program (FFELP) provided for by the Higher Education Act (the Act), as well as private student loans. Effective March 30, 2010, the Health Care and Education Reconciliation Act of 2010 prohibited origination of any new loans after June 2010 under FFELP. Outstanding debts payable as specified in the resolutions authorizing the related sale of the debts, are not payable by funds received from taxation and are not debts of the State of Indiana or any of its political subdivisions. INvestEd is a discretely presented proprietary component unit of the State of Indiana. Indiana Secondary Market for Education Loans, Inc. began doing business as (d/b/a) INvestEd in November 2016.

Basis of Presentation and Accounting - INvestEd's financial statements have been prepared on the basis of the governmental enterprise fund concept which pertains to financial activities that operate similarly to a private business enterprise. The assets of certain funds are restricted pursuant to bond or note issuances. For financial statement presentation purposes, the funds have been aggregated into one proprietary fund type. INvestEd's funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles.

Student Loans Receivable - Student loans consist of federally insured FFELP student loans and private student loans. Private student loans consist of both tuition and refinancing loan programs. Student loans receivable are stated at the principal amounts outstanding adjusted for an estimated allowance for loan losses, and unamortized purchase premiums or discounts related to FFELP loans. The related interest income generated from student loans includes premium and discount amortization. INvestEd amortizes premiums and discounts over the estimated average life of the loan on a straight-line basis over 10 years, which approximates the effective interest method.

Interest on student loans is accrued based upon the actual principal amount outstanding. The U.S. Secretary of Education makes quarterly interest subsidy payments for FFELP loans until the student is required, under the provisions of the Act, to begin repayment. Repayment must begin generally within six months after the student completes their course of study, leaves school, or ceases to carry at least one-half the normal full-time academic load as determined by the participating institution. Depending on the options selected, repayment may begin prior to completing school.

The United States Department of Education (US DOED) provides a special allowance to lenders participating in the FFELP program. For FFELP loans first disbursed prior to January 1, 2000, the special allowance amount is the result of applying a percentage, based upon the average bond equivalent rates of 91-day United States Treasury bills, to the average daily unpaid principal balance and capitalized interest of student loans held by INvestEd. For FFELP loans first disbursed from January 1, 2000 through June 30, 2006, the special allowance amount is the result of applying a percentage, based upon the average bond equivalent rates of the three-month financial Commercial Paper rate, to the average daily unpaid principal balance and capitalized interest of FFELP loans held by INvestEd. If a special allowance amount is a negative number on a FFELP loan first disbursed prior to April 1, 2006, special allowance will not be paid for that FFELP loan type for that quarter. If a special allowance amount is a negative number on a FFELP loan first disbursed after April 1, 2006, the lender must remit the excess interest ("negative SAP") to the US DOED. The special allowance amount for a FFELP loan first disbursed on or after October 1, 2007, has additional provisions for lenders qualified as an eligible not-for-profit holder. Those eligible as not-for-profit lenders earn a 15 basis point higher yield. The special allowance is accrued as earned. Effective April 1, 2012, the index used to calculate special allowance for FFELP loans disbursed after January 1, 2000, is based on one-month LIBOR.

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents - Cash and equivalents may consist of money market funds and short-term investments with original maturities of three months or less from the date of acquisition.

Investments **-** Investments consist of certificates of deposit, corporate bonds, common stocks, exchange traded funds, government obligations, mutual fund shares and money market shares, and hedge funds. Investments are carried at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction, based on available market prices of the investments or similar investments. INvestEd has an investment policy, approved by the Indiana Finance Authority, for all funds held outside the existing trust. INvestEd is restricted to investments that meet the rating requirements per the indenture of trust for all funds held within the trust.

Investment income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method. Changes in the fair value of investments are included in the statement of revenues, expenses and changes in net position.

Allowance for Loan Losses - Guarantees on federally insured student loans originated after October 1, 1993, but before July 1, 2006, provide for a reduced recovery of 98% of loan principal and accrued interest on FFELP loans which default. Guarantees on FFELP loans originated after July 1, 2006, provide for a reduced recovery of 97% of loan principal and accrued interest on loans which default. Accordingly, INvestEd provides for an allowance for the estimated loss associated with the portion not recoverable.

INvestEd evaluates the adequacy of the allowance for loan losses on its private loan portfolio separately from federally insured FFELP loans. Several factors are considered including the following: private loans in repayment versus those in a non-paying status, delinquency status, type of credit and any trends from industry data. As the portfolio ages, historical trends and experience will be evaluated as well. INvestEd considers a private loan to be in default when it reaches 120 days delinquent or greater.

The allowance is increased by a provision charged to operations and reduced for losses actually incurred, and is included in the financial statements as a reduction of student loans receivable. INvestEd utilizes a national collection agency to attempt collection on charged off accounts. The amount attributable to recoveries remains in the allowance.

In completing the analysis of the adequacy of the allowance for loan losses, past collection experience, delinquency trends and size of the portfolio, economic conditions, document deficiencies, and other factors are considered. Significant changes in these factors could impact the allowance and provision for loan losses. Accordingly, the evaluation of the allowance for loan losses is inherently subjective as it requires material estimates that may be subject to change.

Capital Assets - Capital assets consist of office furniture, equipment and leasehold improvements recorded at cost. Depreciation is charged to operations using the straight-line method over the estimated useful lives of the related assets or the term of the lease, which is 3 to 7 years depending on the asset class.

Discounts on Notes Payable and Debt Issuance Costs - Discounts on notes payable are amortized using the interest method over the notes issued. Debt issuance costs are recorded as expense when incurred.

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position - $142,796,000 and $134,042,000 of INvestEd's net position and all related revenues were unrestricted at June 30, 2017 and 2016, respectively. INvestEd does, however, maintain debt and other arrangements which limit the use of assets. At June 30, 2017 and 2016, INvestEd's restricted net position of $1,785,000 and $1,640,000, respectively, reflect debt reserve requirements (see Note 4) and $149,000 and $192,000, respectively, reflect amounts invested in capital assets (see Note 5).

Loan Income and Related Expenses - Interest and special allowance on loans are recognized as income in the period earned, and servicing costs are charged to expense as incurred. Premiums paid for student loans are amortized using a method which approximates the effective interest method over the estimated life of the loans (10 years). At June 30, 2017 and 2016, unamortized premiums totaled $59,000 and $444,000, respectively.

In addition, loans were purchased at a discount in June 2009, and this discount is being amortized over the estimated life of the loans (10 years). At June 30, 2017 and 2016, the unamortized discount totaled $106,000 and $150,000, respectively.

Servicing Fees - As of June 30, 2017, Pennsylvania Higher Education Assistance Agency, Xerox Education Services, LLC, and Great Lakes Education Loan Services, Inc. service INvestEd's FFELP student loan portfolio. Aspire Resources, Inc. and Pennsylvania Higher Education Assistance Agency service the private tuition and refinance loan portfolio. Servicing fee expense amounts are included in operating expenses in the statements of revenues, expenses and changes in net position.

Risk Management - INvestEd is exposed to various risks of loss related to property loss, torts, errors and omissions, cyber risk and employee injuries. Coverage for these various risks of loss is obtained through commercial insurance. There has been no significant reduction in insurance coverage from the prior year for all categories of risk. Commercial insurance is purchased in an amount that is sufficient to cover INvestEd's risk of loss. INvestEd will record an estimated loss from a claim as an expense and a liability if it meets the following requirements: (1) information available indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and (2) the amount of the loss can be reasonably estimated.

Operating Revenues and Expenses - The managed investment portfolio and loan issuances are the principal source of the funds. INvestEd derives revenue from investments, servicing fee income, interest earned on student loans, the U.S. Secretary of Education, and gains (losses) from the sale of student loans. INvestEd's expenses primarily consist of interest on debt arrangements and loan servicing and administration.

Income Taxes - INvestEd is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, INvestEd has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Additionally, INvestEd meets the criteria required for classification as an affiliate of a government unit, and therefore, is not required to file federal or state information returns.

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates which are particularly susceptible to change in the near-term relate to the determination of the allowance for loan losses, fair value measurements, and future maturities of notes payable.

Subsequent Events - Management has evaluated the financial statements for subsequent events occurring through October 19, 2017, the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

Cash Deposits with Financial Institutions

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the three demand deposit accounts are carried at cost and are insured up to $250,000 per financial institution.

The carrying amount of demand deposits was $6,917,000 and bank balances were $6,925,000. INvestEd's maximum risk was $6,675,000 at June 30, 2017.

Investments

The investment policy allows for investing in a portfolio balanced between equity and fixed income securities. The permissible investments are detailed in the investment policy. Trust accounts are invested in accordance with trust indentures executed by INvestEd. Excerpts from the investment policy are as follows:

(a) Investment Policy:

- ***Scope of this Investment Policy***
  The statement of investment policy reflects the investment policy, objectives, and constraints for INvestEd assets that are not encumbered by trust or otherwise.

- ***Long Range Goals***
  In order to meet its needs, the investment strategy of the invested assets is to emphasize a balanced return of current income and modest growth of principal consistent with the preservation of the purchasing power of the Fund. By investing in a portfolio balanced between equity and fixed income securities the Board is willing to accept fluctuations to the principal value of the portfolio in order to provide an opportunity for higher long-term returns. The Board understands that short to intermediate-term results may be negative.

- ***Investments***
  In order to provide the Investment Fund Manager(s) the freedom to invest within the guidelines of this policy statement, the following security classifications are permissible and suitable investment.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

1. *Equity Securities:* Publicly traded common and preferred stocks, American Depository Receipts (ADRs), convertible preferred stocks and convertible debentures. Equity securities may be chosen from the NYSE, regional Exchanges and the National Over-the-Counter Market. All assets must have readily ascertainable market values and be fully liquid and marketable. The equity portfolio is limited to a maximum of 5% at cost and 10% at market (of total account value) of the securities of any one issuer with the exception of exchange traded funds or mutual funds. Broad industry diversification must be maintained.

   The portfolio may also invest in equity mutual funds or exchange traded funds, without limitation on the percentage weight in the portfolio.

2. *Fixed Income:* The individually managed portfolio shall be comprised of high quality issues. All individually held Corporate Bonds must be rated no lower than Moody's or Standard & Poor's rating Baa/BBB - to be purchased or retained. The portfolio is restricted to a maximum of 5% at cost and 10% at market (of total account value) of the securities of any one issuer, with the exception of U.S. Government and Agency securities which have no limit.

   The portfolio may also invest in fixed income mutual funds or exchange traded funds, without limitation on the percentage weight in the portfolio.

   Investment in mutual funds shall be the chosen vehicle for exposure to high yield (below investment grade) fixed income securities should they be included in the portfolio.

   The portfolio's average maturity should range from 1-7 years.

3. *Cash and Equivalents:* Cash reserves may consist of individual fixed income securities such as Commercial Paper, U.S. Treasury Bills, and other similar instruments, with less than one year to maturity and/or money market funds. Cash reserves should be free from risk and have instant liquidity. Short-term instruments of maturities less than one year in U.S. Government or U.S. Agencies are not restricted in the size of the position.

4. *Non-Traditional Assets:* Non-Traditional Assets includes SEC registered mutual funds and exchange traded funds that invest in asset classes and/or strategies outside of traditional long only equity and fixed income securities portfolios. These investment classes include, but are not limited to: convertible securities, convertible arbitrage, long/short equity, commodities, precious metals, real estate investment trusts, foreign bonds and senior bank loans. Permitted holdings include open and/or closed-end mutual funds, and exchange traded funds.

The Investment Advisor assists the Investment Committee in balancing the total Fund within the following established strategic allocation parameters:

Investment Class	Target	Allowable Range
Equities	50%	30% - 70%
Fixed income	30%	20% - 70%
Cash and equivalents	0%	0% - 20%
Non-traditional assets	20%	0% - 30%

2. DEPOSITS AND INVESTMENTS (CONTINUED)

- ***Performance Review and Evaluation***
  Performance reports generated by the Investment Advisor shall be compiled at least quarterly and communicated to the Investment Committee for review. The purpose of these reports shall be to review and evaluate both the Investment Advisor and the Investment Fund Managers. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this policy. The Investment Committee intends to evaluate the portfolio(s) over at least a five to seven year period, but reserve the right to terminate a fund manager for any reason including the following:

  1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.

  2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

  3. Significant qualitative changes to the investment fund management organization.

  Investment Fund Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. The Investment Advisor's performance shall also be reviewed regularly. Due diligence reports from the Investment Advisor are expected annually or when deemed appropriate by Investment Advisor, Directors or Investment Committee.

  The objective of monitoring is not to set in opposition one Investment Fund Manager or program against another, but rather to ensure prudent management of the Fund and compliance with this policy. It is of primary importance that the guidelines are adhered to and the objectives be met. The Investment Committee shall review the investment management consultant’s performance on a full market cycle (five year).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2017, and 2016, INvestEd had the following investments and cash equivalents and maturities:

2017 Investment Type	Fair Value (In thousands)	Maturities (In Years) < 1	1–5	6–10	> 10
Money market fund shares	$ 8,216	$ 8,216			
Fixed income investments:					
U.S. Treasury notes	5,085	399	$ 1,959	$ 2,727	
Corporate bonds	16,723	3,205	8,125	5,341	$ 52
Govt agency bonds	804				804
Municipal bonds	1,727		1,218	509	
Mutual fund bond funds	18,937	18,937			
Certificates of deposit	250	250			
Common stocks	21,230	21,230			
Equity mutual funds	29,135	29,135			
Hedge funds	5,620	5,590			30
Exchange traded funds	16,215	16,215			
	$ 123,942	$ 103,177	$ 11,302	$ 8,577	$ 886

2016 Investment Type	Fair Value (In thousands)	Maturities (In Years) < 1	1–5	6–10	> 10
Money market fund shares	$ 6,360	$ 6,360			
Fixed Income investments:					
U.S. Treasury notes	3,793		$ 2,347	$ 1,446	
Corporate bonds	15,735	1,564	9,929	4,242	
Govt agency bonds	838		150		$ 688
Municipal bonds	1,396	257	981	158	
Mutual fund bond funds	13,218	13,218			
Certificates of deposit	1,756	1,756			
Common stocks	22,675	22,675			
Equity mutual funds	14,858	14,858			
Exchange traded funds	32,123	32,123			
	$ 112,752	$ 92,811	$ 13,407	$ 5,846	$ 688

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk INvestEd will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of INvestEd, and are held by either the counterparty or the counterparty's trust department or agent but not in INvestEd's name. INvestEd has no custodial credit risk on investments.

Credit Risk

The following table provides information on the credit ratings associated with INvestEd's investments and cash equivalents as of June 30, 2017:

Investment Type	Fair Value (In thousands)	Moody's	S & P
Money market fund shares	$ 3,602	Aaa-mf	AAAm
Money market fund shares	4,614	unrated	unrated
U.S. Treasury notes	5,085	AAA	unrated
Corporate bonds	304	AAA	AA+
Corporate bonds	509	AA2	AA-
Corporate bonds	302	AA2	A
Corporate bonds	247	AA3	AA-
Corporate bonds	352	AA3	A+
Corporate bonds	811	A1	AA-
Corporate bonds	508	A1	A+
Corporate bonds	246	A1	A
Corporate bonds	248	A1	A-
Corporate bonds	250	A2	AA-
Corporate bonds	263	A2	A+
Corporate bonds	1,664	A2	A
Corporate bonds	451	A2	A-
Corporate bonds	513	A3	A
Corporate bonds	2,186	A3	A-
Corporate bonds	709	A3	BBB+
Corporate bonds	251	A3	unrated
Corporate bonds	261	BAA1	A-
Corporate bonds	1,626	BAA1	BBB+
Corporate bonds	467	BAA1	BBB
Corporate bonds	99	BAA2	A-
Corporate bonds	463	BAA2	BBB+
Corporate bonds	1,744	BAA2	BBB
Corporate bonds	547	BAA2	BBB-
Corporate bonds	94	BAA2	BB+
Corporate bonds	526	BAA3	BBB+
Corporate bonds	279	BAA3	BBB
Corporate bonds	803	BAA3	BBB-
Govt agency bonds	804	unrated	unrated
Municipal bonds	259	AAA	AA-
Municipal bonds	102	AA2	AAA
Municipal bonds	203	AA2	unrated
Municipal bonds	261	AA3	AA
Municipal bonds	111	AA3	AA-
Municipal bonds	25	AA3	A
Municipal bonds	250	A1	unrated
Municipal bonds	101	A3	A-
Municipal bonds	415	unrated	AA
Certificates of deposit	250	unrated	unrated
Grand Total	$ 32,805		

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer.

The following shows investments in issuers that represents 5% or more of the total investments at June 30, 2017:

iShares Russell 1000 Value ETF	6%
Brown Advisory Growth mutual fund	6%

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. At June 30, 2017, there was no foreign currency risk exposure.

3. STUDENT LOANS RECEIVABLE - NET

Student loans receivable consist of FFELP loans made under the Act and are carried at their unpaid principal balance net of an allowance for loan losses plus unamortized purchase premiums and discounts. FFELP loans earn interest at various rates ranging from 1.72% to 8.50%, depending upon the type of FFELP loan and the date the FFELP loan was made. Substantially all of the principal and accrued interest on FFELP loans is insured by certain guarantee agencies which are reinsured by the federal government. At June 30, 2017 and 2016, the majority of INvestEd's FFELP loans were guaranteed by the Pennsylvania Higher Education Assistance Agency (58% as of June 30, 2017), California Student Aid Commission/EDFund (18% as of June 30, 2017), and Educational Credit Management Corporation (12% as of June 30, 2017).

Student loans receivable also consist of private loans either originated or purchased under one of INvestEd's tuition and refinance loan programs. Private loans are carried at their unpaid principal balance net of an allowance for loan losses. Private loans earn interest at various rates ranging from 2.18% to 10.56%, depending on the type of private loan and date the loan was made. Private loans are not subject to any federal guarantees.

A portfolio of FFELP loans were sold in June 2013 and this sale agreement includes certain recourse provisions where INvestEd is required to repurchase FFELP loans that have inaccuracies that materially and adversely affect the value of the FFELP loan. The recourse provision is in effect through the life of the FFELP loans. INvestEd has 60 days to cure any identified issue prior to being required to repurchase the FFELP loan. INvestEd has recorded an estimated recourse liability which is included as a component of the allowance for loan losses

3. STUDENT LOANS RECEIVABLE - NET (CONTINUED)

Student loans receivable - net as of June 30, 2017 and 2016, consisted of the following:

	2017	2016
	(In thousands)	
Federal family education loan program	$ 112,303	$ 127,808
Private loan programs	1,704	1,146
Purchase premiums and discounts - net	(47)	294
Less - allowance for loan losses	(1,051)	(953)
End of year	$ 112,909	$ 128,295
Current portion	$ 9,322	$ 10,814
Long-term portion	$ 103,587	$ 117,481

The activity for the allowance for loan losses for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
	(In thousands)	
Beginning of year	$ 953	$ 990
Provision for loan losses	160	110
Recoveries	3	1
Write-offs of loans	(65)	(148)
End of year	$ 1,051	$ 953

4. NOTES PAYABLE

Notes payable as of June 30, 2017 and 2016, consisted of Floating Rate Notes (FRNs). The following table displays the aggregate changes in and notes payable for the years ended June 30, 2017 and 2016 (in thousands):

	2016	Additions	Reductions	2017
Notes payable, net	$ 119,034	$	$ (17,242)	$ 101,792

	2015	Additions	Reductions	2016
Notes payable, net	$ 138,514	$	$ (19,480)	$ 119,034

4. NOTES PAYABLE (CONTINUED)

Notes payable at June 30, 2017, includes $102,122 thousand of taxable LIBOR FRNs less an unamortized bond discount of $330 thousand. The FRNs mature on February 25, 2044. Interest on the FRNs ranged from 1.253% to 2.016% and 0.987% to 1.246% during the years ended June 30, 2017 and 2016, respectively. The interest rate is based on one-month LIBOR on a set determination date which is the second business day immediately preceding each Distribution Date plus a spread of .80% per annum. Interest is paid on the Distribution Date which is the 25th of each calendar month or the next succeeding business day. These notes payable are limited obligations of INvestEd and are payable from the student loans, revenues, and recoveries of principal and all amounts held in any account established under the note documents. Principal payments are required to be made monthly based on available funds less required fees and transfers as stipulated in the note documents.

The following table displays estimated future debt maturities and interest payments for notes payable at June 30, 2017 (in thousands), based on INvestEd's best estimate of expected available future cash flows as stipulated in the note documents:

Year Ending, June 30,	Principal	Interest	Total
2018	$ 17,682	$ 1,768	$ 19,450
2019	15,424	2,230	17,654
2020	13,638	2,165	15,803
2021	12,203	1,769	13,972
2022	10,941	1,353	12,294
2023-2027	31,904	2,039	33,943
	$ 101,792	$ 11,324	$ 113,116

Significant changes in the estimated available future cash flows could impact the reported future debt maturities and interest payments. Accordingly, the estimated future debt maturities and interest payments are inherently subjective as it requires material estimates that may be subject to change.

Notes payable are secured by (a) the proceeds derived from the sale of the notes, (b) eligible loans, and (c) certain accounts established by the respective note resolutions, including monies and securities therein.

The respective note resolutions establish the following special trust accounts for each series, unless otherwise indicated:

Collection Fund - This fund is used to account for all revenues received by INvestEd with respect to the FFELP Loans. The funds are used for the following distributions: (a) department reserve funds for payments to the US DOED, (b) estimated program expenses, (c) principal and interest payments, and (d) transfers to reinstate balance of Debt Service Reserve Fund.

Reserve Funds - These funds may either be used to maintain a minimum reserve requirement or to be paid to the US DOED for required funds due based on the FFELP Loans.

5. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2017 and 2016, (in thousands) were as follows:

	2016	Additions	Retirements	2017
Depreciable capital assets:				
Furniture and equipment	$ 575	$ 6	$ 351	$ 230
Leasehold improvements	112			112
Total depreciable capital assets	687	6	351	342
Less accumulated depreciation	495	48	350	193
Net depreciable capital assets	$ 192	$ (42)	$ 1	$ 149

	2015	Additions	Retirements	2016
Depreciable capital assets:				
Furniture and equipment	$ 593	$ 8	$ 26	$ 575
Leasehold improvements	111	1		112
Total depreciable capital assets	704	9	26	687
Less accumulated depreciation	460	58	23	495
Net depreciable capital assets	$ 244	$ (49)	$ 3	$ 192

6. FAIR VALUE MEASUREMENTS

INvestEd has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that INvestEd has the ability to access.

Level 2 - Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, INvestEd makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by INvestEd for assets that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Mutual Fund Shares and Money Market Fund Shares: Valued at the daily closing price, as reported by each fund. These funds are required to publish net asset value (NAV) and the transaction price. These funds are deemed to be actively traded.

Common Stocks, Exchange Traded Funds, and Government Obligations: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issues with similar credit ratings.

Certificates of Deposit: Determined by discounting the related cash flows on current yields of similar investments with comparable durations considering the credit-worthiness of the issuer.

Hedge Funds: Valued at the net asset value (NAV) of the respective fund at the reporting date. The NAV is used as a practical expedient to estimate fair value and is based on the fair value of the fund's underlying investments less its liabilities. If management determines, based on its own due diligence and investment monitoring procedures, that the reported NAV is not representative of fair value, and the difference between fair value and reported value is material, management will estimate the fair value of the investment in good faith. For the years ended June 30, 2017 and 2016, no adjustments to the reported NAV were recorded. Hedge funds measured at fair value using NAV as a practical expedient are not classified in the fair value hierarchy.

For those assets measured at fair value, management determines the fair value measurement policies and procedures in consultation with INvestEd's Audit Committee. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

For assets and liabilities measured using Level 3 inputs, management assesses the fair value measurement policies and procedures at least annually to determine valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although INvestEd's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets could result in a different fair value measurement at the reporting date.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of INvestEd's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2017 and 2016 (in thousands):

2017	Level 1	Level 2	Level 3	Measured at NAV	Total
ASSETS:					
Cash equivalents:					
Money market fund shares	$ 8,216				$ 8,216
Investments:					
Exchange-traded funds	16,215				16,215
Equity mutual fund shares:					
International funds	6,523				6,523
Large cap funds	8,109				8,109
Market neutral funds	5,062				5,062
Other	9,441				9,441
Fixed income mutual fund shares	18,937				18,937
Other fixed income investments:					
Corporate bonds		$ 16,723			16,723
Government agency	804				804
Municipal bonds	1,727				1,727
U.S. Treasury notes	5,085				5,085
Certificates of deposit		250			250
Common stocks:					
Consumer discretionary	2,072				2,072
Consumer staples	2,008				2,008
Energy	1,659				1,659
Financials	3,975				3,975
Healthcare	3,430				3,430
Industrials	3,950				3,950
Information technology	3,804				3,804
Telecommunications	332				332
Hedge funds				$ 5,620	5,620
Total Assets at Fair Value	$ 101,349	$ 16,973	$ -	$ 5,620	$ 123,942

6. FAIR VALUE MEASUREMENTS (CONTINUED)

2016	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market fund shares	$ 6,360			$ 6,360
Investments:				
Exchange-traded funds	32,123			32,123
Equity mutual fund shares:				
International	6,268			6,268
Other	8,590			8,590
Fixed income mutual fund shares	13,218			13,218
Other fixed income investments:				
Corporate bonds		$ 15,735		15,735
Government agency	838			838
Municipal bonds	1,396			1,396
U.S. Treasury notes	3,793			3,793
Certificates of deposit		1,756		1,756
Common stocks:				
Consumer discretionary	3,566			3,566
Consumer staples	2,313			2,313
Energy	1,436			1,436
Financials	3,357			3,357
Healthcare	3,702			3,702
Industrials	2,850			2,850
Information technology	4,916			4,916
Telecommunications	535			535
Total Assets at Fair Value	$ 95,261	$ 17,491	$ -	$ 112,752

Fair Value of Investments in Entities that Use NAV

The following table summarizes investments measured at fair value based on the NAV per share as of June 30, 2017:

Instrument	Fair Value (In thousands) 2017	Unfunded Commitments (In thousands)	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge fund (a)	$5,590	N/A	(No limit as of 12/31)	None
Hedge fund (b)	30	$964	Not allowed during 10 yr. investment term	N/A
Total Hedge Funds	$5,620			

6. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) The fund generally will invest in: (i) constituent securities of the Benchmark Index, or at the Manager's discretion, securities that are reasonably expected to be constituents, or have previously been constituents of the Benchmark Index, as well as proxy, cross listed or substituted versions of such securities (including preferred shares, American Depositary Receipts ("*ADRs*") and exchange traded funds (*"ETFs"*)); (ii) cash, cash equivalents and currencies, which may be held in the form of treasury bills, money market funds and cash deposits; (iii) derivatives, including exchange-traded futures and forward currency contracts; and (iv) non-Benchmark Index securities acquired as Benchmark Index securities, or when they are received as a result of a corporate action. Notwithstanding the foregoing, the fund is permitted by the LLC Agreement to invest in securities of any kind; *provided, however*, that the Manager may not cause the fund to engage in short selling (other than hedging of currency positions) or use leverage.

(b) Investment fund employs a research-driven, bottom-up investment process that involves extensive qualitative and quantitative analysis that incorporates international relationships and expertise across capital structures, industries and geographies. The fund's underlying strategies include the use of mezzanine and equity financing in lower middle market companies.

Financial Instruments: The carrying values of INvestEd's other financial instruments, which include cash and equivalents, student loans and accrued interest receivable, accounts payable and accrued expenses, accrued interest payable, and notes payable approximate fair value due to the maturity dates and current market conditions.

7. RETIREMENT PLANS

INvestEd established the Indiana Secondary Market 401(k) Retirement Plan (Plan) in July 2002. Effective March 16, 2012, this Plan was merged into the EmPower Retirement Savings Plan as part of the contract with Human Capital Concepts, LLC. The Plan is a "Safe Harbor 401(k) Plan" as described in the Code. All employees 18 or older are eligible to participate on the first day of the month following their hire date. INvestEd makes a safe-harbor matching contribution equal to 100% of the first 4% that each participant contributes to the Plan. INvestEd also may make a discretionary profit-sharing contribution to the Plan for participants who are employed at the end of the Plan year. Participants are 100% vested in INvestEd's contributions after one year of service. INvestEd's contributions to the Plan during fiscal years 2017 and 2016 were approximately $33,000 and $35,000, respectively.

8. COMMITMENTS

INvestEd leases office space under the terms of a long-term non-cancellable operating lease. Future minimum required payments under this operating lease at June 30, 2017, were as follows:

Years Ending June 30,	Rental Payments (in Thousands)
2018	$ 107
2019	109
2020	112
2021	105
	$ 433

8. COMMITMENTS (CONTINUED)

Rent expense under operating leases were approximately $86,000 and $88,000 for the years ended June 30, 2017 and 2016, respectively.

Effective September 30, 2016, INvestEd entered into a senior note purchase agreement with Back A Boiler – ISA Fund, LLC. As a noteholder in the agreement, INvestEd funded $339,361 and had a remaining committed investment amount of $660,639.

9. CONTINGENCIES

INvestEd is subject to various legal proceedings and claims which arise primarily in the ordinary course of conducting its business. In management's opinion, the ultimate resolution of such matters will not have a material adverse effect on INvestEd's net position or its changes in net position.

OTHER REPORT

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Indiana Secondary Market for Education Loans, Inc.
d/b/a INvestEd

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Indiana Secondary Market for Education Loans, Inc. d/b/a INvestEd (INvestEd), a component unit of the State of Indiana, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 19, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered INvestEd's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of INvestEd's internal control. Accordingly, we do not express an opinion on the effectiveness of INvestEd's internal control.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether INvestEd's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 19, 2017