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

Financial Statements and Supplementary Information for the Years Ended June 30, 2023 and 2022, and Independent Auditor's Report

Katz, Sapper & Miller, LLP
Certified Public Accountants

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

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Katz, Sapper & Miller, LLP
Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of Indiana Secondary Market for Education Loans, Inc. d/b/a INvestEd (INvestEd), a component unit of the State of Indiana, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise INvestEd's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of INvestEd, as of June 30, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of INvestEd and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about INvestEd's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 INvestEd's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about INvestEd's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, 2023, on our consideration of 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 solely 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 the effectiveness of INvestEd's 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 INvestEd's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 19, 2023

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 charitable and educational purposes. As of June 30, 2023, INvestEd was governed by a nine-member Board of Directors each of whom is appointed by the Governor of the State of Indiana and serves a three-year term. Indiana Secondary Market for Education Loans, Inc. began operating under the d/b/a of INvestEd in November 2016 as part of an effort to make its literacy and lending services easier to access by members of the public. 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 provides financial literacy and educational tools to students, their families, and Indiana colleges and universities with respect to responsibly financing the costs of higher education.

With the change to its enabling statue, INvestEd has created tuition, refinancing and parent private loan offerings. These offerings 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 post-secondary opportunities by providing informational presentations and distributing educational materials related to education funding.

Taxable floating rate notes, tax exempt revenue bonds, private loan program cash flows and existing cash balances are the primary sources of funding for INvestEd's programs. INvestEd does not receive appropriations from the State of Indiana. 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).

Effective July 1, 2023, the governance structure changed based on House Act 1316 as follows: five members appointed by the Governor of the State of Indiana, one member each appointed by the President Pro Tempore of the Indiana State Senate, Minority Leader of the Indiana State Senate, Speaker of the Indiana House of Representative, and the Minority Leader of the Indiana House of Representatives with each appointment serving a four-year term.

The State of Indiana appropriated $75 million under Ind. Code 5-34-2-1 and assigned INvestEd as the administrator of the Indiana Career Accelerator Fund during the 2021 legislative session. The primary source of funding for the program was the American Rescue Plan Act (ARPA). Based on Federal Guidance published, which disallowed the use of ARPA funds as the principal of a revolving loan fund, the State substituted a grant of $10 million from state funds to initially fund the program. INvestEd established and incorporated Accelerate Indiana, Inc. on August 17, 2021, for the sole purpose of facilitating the role of INvestEd as the administrator of the Indiana Career Accelerator Fund. This corporation was established to provide financial assistance awards to assist individuals in obtaining credentials from qualified education programs. Accelerate Indiana is governed by the Executive Committee of the INvestEd Board of Directors.

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 the corporation as of June 30, 2023, and 2022 and include all assets, liabilities and net position of the combination of INvestEd and Accelerate. The statements of revenues, expenses and changes in net position present the corporation's changes in net position for the years ended June 30, 2023, and 2022. The statements of cash flows provide information about the sources and uses of INVestEd's cash resources for the years ended June 30, 2023, and 2022.

INvestEd's financial statements include the operations of funds that INvestED has established to achieve its legislative purpose. The financial transactions of INvestEd are recorded in the funds that consist of a separate set of self-balancing accounts. The financial statements include two major funds: INvestED and Accelerate. The INvestEd fund was established to account for the student loan activity and the Accelerate fund was established to account for the Indiana Career Accelerator Fund activity.

Condensed Financial Information (in thousands)

Statements of Net Position as of June 30,	**2023**	**2022**	**2021**
Cash and investments	$ 125,860	$ 122,792	$ 126,065
Student loans receivable—net	115,069	117,341	121,363
Income share agreements—net	2,030	565	
Other assets	10,124	9,674	9,614
Total assets	$ 253,083	$ 250,372	$ 257,042
Lines of credit	$ 2,188	$ 27,000	$ 23,136
Notes and bonds payable	70,888	49,505	58,248
Refundable grant advance	7,009	9,182	
Other liabilities	810	1,171	1,427
Total liabilities	80,895	86,858	82,811
Total net position	172,188	163,514	174,231
Total liabilities and net position	$ 253,083	$ 250,372	$ 257,042

Condensed Financial Information (in thousands)

Results Years Ended June 30,	2023	2022	2021
Interest on student loans, including subsidy	$ 6,043	$ 5,541	$ 5,359
Special allowance on student loans	714	(1,165)	(1,463)
Other income	535	11	11
Total operating revenues	7,292	4,387	3,907
Fees	59	46	36
Loan servicing and administration	6,209	3,339	7,982
Total operating expenses	6,268	3,385	8,018
Net income (loss) from operations	1,024	1,002	(4,111)
Investment return	9,829	(11,399)	26,278
Interest expense	(3,601)	(1,113)	(982)
Distribution to State of Indiana			(3,000)
Grant revenue	2,174	818	
Debt issuance costs	(752)	(25)	
Net nonoperating revenues (expenses)	7,650	(11,719)	22,296
Change in net position	8,674	(10,717)	18,185
Net Position - Beginning of year	163,514	174,231	156,046
Net Position - End of year	$ 172,188	$ 163,514	$ 174,231

Financial Analysis

Statement of Net Position

During the fiscal year ended June 30, 2023, total assets increased $2.7 million compared to a decrease in liabilities of $5.9 million. This resulted in an increase to INvestEd's net position of $8.7 million or 5.30%. This change in net position is due to an increase in cash and investments due to market conditions and an increase in the volume of income share agreements as compared to a decrease in a refundable grant advance that was established for the benefit of Accelerate. This compares to a decrease of 6.15% in the prior fiscal year because of negative market conditions and increased originations.

Cash and investments increased 2.50% to $125.9 million compared to a balance of $122.8 million on June 30, 2022. This increase is due to an increase in the market value of the investment portfolio as well as additional cash funds due to the fiscal year 2023 bond offering which has been offset by the Accelerate funds to fund income share agreements.

Student loans receivable decreased 1.94% from $117.3 million on June 30, 2022, to $115.1 million at June 30, 2023, compared to a 3.31% decrease in the prior fiscal year. This decrease is largely due to the change in the allowance for loan loss in addition to the amount of loan payments, primarily FFELP loans, exceeding the origination of new loans. As of June 30, 2023, the student loan portfolio held by INvestEd consists of 40% FFELP loans, which is made up of 95% consolidation loans and 5% Stafford and PLUS Loans. The remaining 60% is private education loans either originated or purchased by INvestEd made up of 67% tuition and 33% refinance loans.

Income Share Agreements (ISA's) originated by Accelerate increased 259.29% from $564 thousand on June 30, 2022, to $2.03 million as of June 30, 2023.

Other assets increased 4.65% from $9.7 million on June 30, 2022, to $10.1 million at June 30, 2023. This increase is due to an increase in accrued interest receivable on student loans, as well as a receivable from the U.S. Secretary of Education related to the special allowance.

Capital assets consist of office furniture and equipment used in daily operations, maintenance of computer network and leasehold improvements. 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. Capital assets increased by $24.2 thousand as additions exceeded retirements of capital assets at June 30, 2023, as compared to a decrease of $24.0 thousand, net of retirements, at June 30, 2022, as seen in Note 7.

Liabilities decreased 7.42% from $86.9 million at June 30, 2022 to $80.9 million at June 30, 2023 compared to an increase of 4.89% in the prior fiscal year. This decrease is due to a decrease in the line of credit as offset by the fiscal year 2023 bond deal and the decrease in the refundable grant advance for Accelerate Indiana in the amount of $2.7 million as well as a decrease in the Floating Rate Notes of $8.5 million which were issued in 2014 to finance FFELP loans from an Auction Rate Security trust. The decrease is attributed to the monthly principal payments required based on available funds in INvestEd's trust accounts. This can be seen in further detail in Note 8.

Total net position on June 30, 2023, increased 5.60% to $172.2 million compared to $163.5 million at June 30, 2022. This compares to a decrease of 6.15% in the prior fiscal year.

During the fiscal year ended June 30, 2022, total assets decreased $6.7 million compared to an increase in liabilities of $4.0 million. This resulted in a decrease to INvestEd's net position of $10.7 million or 6.15%. This change in net position is due to a decrease in cash and investments due to market conditions and a reduction in the allowance for loan loss as compared to an increase in a refundable grant advance that was established for the benefit of Accelerate. This compares to an increase of 11.65% in the prior fiscal year because of positive market conditions and increased originations.

Cash and investments decreased 2.60% to $122.8 million compared to a balance of $126.1 million on June 30, 2021. This decrease is due to the volatility and decrease in market value of the investment portfolio which has been offset by the funds granted to Accelerate.

Student loans receivable decreased 3.31% from $121.4 million on June 30, 2021 to $117.3 million at June 30, 2022, compared to a 22.15% increase in the prior fiscal year. This decrease is largely due to the change in the allowance for loan loss in addition to the amount of loan payments, primarily FFELP loans, exceeding the origination of new loans. As of June 30, 2022, the student loan portfolio held by INvestEd consists of 47% FFELP loans, which is made up of 95% consolidation loans and 5% Stafford and PLUS Loans. The remaining 53% is private education loans either originated or purchased by INvestEd made up of 59% tuition, and 41% refinance loans.

Income Share Agreements (ISA's) originated by Accelerate increased total assets by $564 thousand net of a loss reserve as of June 30, 2022.

Other assets increased .62% from $9.6 million on June 30, 2021, to $9.7 million at June 30, 2022. This increase is due to an increase in interest receivable on private loans as well as an increase in operating interest receivable and miscellaneous accounts receivable.

Capital assets consist of office furniture and equipment used in daily operations, maintenance of computer network and leasehold improvements. 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. Capital assets decreased by $24.0 thousand as retirements exceeded additions of capital assets, at June 30, 2022, as compared to an increase of $12.0 thousand, net of retirements, at June 30, 2021, as seen in Note 7.

Liabilities increased 4.89% from $82.8 million at June 30, 2021 to $86.9 million at June 30, 2022 compared to an increase of 25.0% in the prior fiscal year. This increase is due an increase of $3.8 million in draws on the line of credit and the addition of the refundable grant advance for Accelerate Indiana in the amount of $9.2 million. This was offset by a decrease in the Floating Rate Notes of $8.7 million which were issued in 2014 to finance FFELP loans from an Auction Rate Security trust. The decrease is attributed to monthly principal payments required based on available funds in INvestEd's trust accounts. This can be seen in further detail in Note 8.

Total net position on June 30, 2022, decreased 6.15% to $163.5 million compared to $174.2 million at June 30, 2021. This compares to an increase of 11.7% in the prior fiscal year.

Operating Results

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

INvestEd's net income from operations was a gain of $1.0 million on operating revenues of $7.3 million in the fiscal year ended June 30, 2023, as compared to net income from operations of $1.0 million on operating revenues of $4.4 million in the prior fiscal year. Total operating revenues increased 66% in the fiscal year ended June 30, 2023, offset by an 85% increase in operating expenses. This net gain from operations increased from the prior year due to the following: receipt of special allowance payments due to rising interest rates and interest income on notes receivable, partially offset by increases in loan servicing and administration.

Net nonoperating revenues (expenses) increased $8.6 million during the fiscal year ended June 30, 2023, compared to a decrease of $11.7 million in the prior fiscal year. This increase is due to an increase in the market value of the investment portfolio combined with an increase in Accelerate grant revenue offset by an increase in interest expense.

INvestEd's net income from operations was a gain of $1.0 million on operating revenues of $4.4 million in the fiscal year ended June 30, 2022, as compared to a net loss from operations of $4.1 million on operating revenues of $3.9 million in the prior fiscal year. Total operating revenues increased 12.3% in the fiscal year ended June 30, 2022, offset by a 57.8% decrease in operating expenses. This net gain from operations is due to the following: a decrease in special allowance payments due to rising interest rates and a decrease in loan servicing and administration due to the recapture of loan loss reserve.

Net nonoperating revenues decreased $34.0 million during fiscal year ended June 30, 2022, compared to an increase of $21.2 million in the prior fiscal year. This decrease is due to a decrease in the market value of the investment portfolio combined with rising interest rates leading to increased interest expense offset by a large decrease in loan servicing and administration expenses.

Loan Servicing and INvestEd's Loan Programs

INvestEd utilizes Pennsylvania Higher Education Assistance Agency to service its FFELP portfolio and the private loan portfolio. Knowledge Finance services the income share agreement (ISA) portfolio.

Private loan originations are processed through contractual relationships with First Merchant's Bank, Bank of Lake Mills and Campus Door Holdings, LLC. ISA agreements are originated through Campus Door Holdings, LLC.

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

Risk Management

INvestEd utilizes a risk management tool of Failure Mode Effects Analysis (FMEA). This is a step-by-step approach for identifying all possible failures and risks that could occur. These risks are prioritized according to how serious the consequences are, how frequently they could occur, and how easily they can be detected. The purpose of this tool is to take actions to eliminate or mitigate failures and risks and to allow for continuous improvement. This process is reviewed annually by our Board of Directors and the various committees.

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/a INvestEd

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND 2022
(In thousands)

	2023			2022		
	INvestEd	Accelerate	Total	INvestEd	Accelerate	Total
ASSETS						
CURRENT ASSETS:						
Cash and equivalents:						
Unrestricted	$ 13,037		$ 13,037	$ 8,558		$ 8,558
Restricted	3,408	$ 7,122	10,530	5,398	$ 9,198	14,596
Total cash and equivalents	16,445	7,122	23,567	13,956	9,198	23,154
Investments	84,640		84,640	81,314		81,314
Student loans receivable — net	9,045		9,045	8,971		8,971
Income share agreements — net		252	252		92	92
Accrued interest receivable — student loans receivable	4,684		4,684	4,549		4,549
Accrued interest receivable — cash and short-term investments	162		162	132		132
Prepaids and other assets	604	1	605	295		295
Total current assets	115,580	7,375	122,955	109,217	9,290	118,507
NON-CURRENT ASSETS:						
Investments	17,653		17,653	18,324		18,324
Notes receivable	4,498		4,498	4,442		4,442
Student loans receivable — net	106,025		106,025	108,370		108,370
Income share agreements — net		1,778	1,778		473	473
Right of use asset	114		114	220		220
Capital assets — net	60		60	36		36
Total non-current assets	128,350	1,778	130,128	131,392	473	131,865
TOTAL	$ 243,930	$ 9,153	$ 253,083	$ 240,609	$ 9,763	$ 250,372
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	$ 485	$ 56	$ 541	$ 914	$ 17	$ 931
Current portion of lease liability	105		105	105		105
Refundable grant advance		7,009	7,009		9,182	9,182
Accrued interest payable	144		144	10		10
Current portion of notes and bonds payable — net	10,728		10,728	9,524		9,524
Line of credit borrowings	2,188		2,188	27,000		27,000
Total current liabilities	13,650	7,065	20,715	37,553	9,199	46,752
NON-CURRENT LIABILITIES:						
Lease liability	20		20	125		125
Notes and bonds payable — net	60,160		60,160	39,981		39,981
Total non-current liabilities	60,180		60,180	40,106		40,106
Total liabilities	73,830	7,065	80,895	77,659	9,199	86,858
NET POSITION:						
Net investment in capital assets	60		60	36		36
Unrestricted	166,632		166,632	157,516		157,516
Restricted	3,408	2,088	5,496	5,398	564	5,962
Total net position	170,100	2,088	172,188	162,950	564	163,514
TOTAL	$ 243,930	$ 9,153	$ 253,083	$ 240,609	$ 9,763	$ 250,372

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, 2023 AND 2022
(In thousands)

	2023			2022		
	INvestEd	**Accelerate**	**Total**	**INvestEd**	**Accelerate**	**Total**
OPERATING REVENUES:						
Interest on student loans	$ 5,973		$ 5,973	$ 5,420		$ 5,420
U.S. Secretary of Education:						
Special allowance	714		714	(1,165)		(1,165)
Interest subsidy	70		70	121		121
Other income	535		535	11		11
Total operating revenues	7,292		7,292	4,387		4,387
OPERATING EXPENSES:						
Fees	59		59	46		46
Loan servicing and administration	5,379	$ 236	5,615	4,956	$ 188	5,144
Loan loss provision (recovery)	180	414	594	(1,870)	65	(1,805)
Total operating expenses	5,618	650	6,268	3,132	253	3,385
NET INCOME (LOSS) FROM OPERATIONS	1,674	(650)	1,024	1,255	(253)	1,002
NONOPERATING REVENUES (EXPENSES):						
Investment return	9,829		9,829	(11,399)		(11,399)
Interest expense	(3,601)		(3,601)	(1,112)	(1)	(1,113)
Debt issuance costs	(752)		(752)	(25)		(25)
Grant revenue		2,174	2,174		818	818
Net nonoperating revenues (expenses)	5,476	2,174	7,650	(12,536)	817	(11,719)
CHANGE IN NET POSITION	7,150	1,524	8,674	(11,281)	564	(10,717)
NET POSITION — Beginning of year	162,950	564	163,514	174,231		174,231
NET POSITION — End of year	$ 170,100	$ 2,088	$ 172,188	$ 162,950	$ 564	$ 163,514

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022
(In thousands)

	2023			2022		
	INvestEd	**Accelerate**	**Total**	**INvestEd**	**Accelerate**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES:						
Student loan interest received, net of special allowance payments	$ 6,622		$ 6,622	$ 3,978		$ 3,978
Purchase of student loans	(17,188)	$ (1,820)	(19,008)	(15,772)	$ (631)	(16,403)
Principal receipts on education loans	19,756	58	19,814	19,860		19,860
Payments (issuance) of notes receivable	(56)		(56)	291		291
Cash received for other operating activities	535		535	11		11
Cash payments for employees and vendors	(5,984)	(314)	(6,298)	(3,343)	(171)	(3,514)
Net cash provided (used) by operating activities	3,685	(2,076)	1,609	5,025	(802)	4,223
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sale of investments	34,643		34,643	18,051		18,051
Purchases of investments	(29,231)		(29,231)	(16,255)		(16,255)
Dividends and interest received, net of expenses	236		236	423		423
Net cash provided by investing activities	5,648		5,648	2,219		2,219
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Repayment of notes	(8,517)		(8,517)	(8,773)		(8,773)
Issuance of bonds, net	29,247		29,247			
Net borrowings (repayments) on line of credit	(24,812)		(24,812)	3,838		3,838
Interest paid on bonds	(2,721)		(2,721)	(583)		(583)
Refundable grant advance					10,000	10,000
Net cash provided (used) by noncapital financing activities	(6,803)		(6,803)	(5,518)	10,000	4,482
CASH FLOWS FROM CAPITAL ACTIVITIES:						
Purchase of capital assets, net	(41)		(41)	(9)		(9)
Net cash used by capital activities	(41)		(41)	(9)		(9)
CHANGE IN CASH AND EQUIVALENTS	2,489	(2,076)	413	1,717	9,198	10,915
CASH AND EQUIVALENTS — Beginning of year	13,956	9,198	23,154	12,239		12,239
CASH AND EQUIVALENTS — End of year	$ 16,445	$ 7,122	$ 23,567	$ 13,956	$ 9,198	$ 23,154

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, 2023 AND 2022
(In thousands)

	2023			2022		
	INvestEd	**Accelerate**	**Total**	**INvestEd**	**Accelerate**	**Total**
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Income (loss) from operations	$ 1,674	$ (650)	$ 1,024	$ 1,255	$ (253)	$ 1,002
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:						
Depreciation and amortization expense	23		23	169		169
Provision for allowance for loan losses, net of write-offs and recoveries	(342)	297	(45)	(2,223)	64	(2,159)
Debt related expenses	752		752	25		25
Interest on student loans recapitalized	(1,478)		(1,478)	(1,711)		(1,711)
Change in assets and liabilities:						
(Increase) decrease in student loans receivable	4,091	(1,762)	2,329	7,957	(630)	7,327
Increase in accrued interest receivable	(135)		(135)	(398)		(398)
(Increase) decrease in notes receivable	(56)		(56)	291		291
Increase in prepaids and other assets	(309)	(1)	(310)	(389)		(389)
Increase (decrease) in other liabilities	(535)	40	(495)	49	17	66
Net cash provided (used) by operating activities	$ 3,685	$ (2,076)	$ 1,609	$ 5,025	$ (802)	$ 4,223

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 tuition, parent and refinance student loans. As described in Indiana Code 21-16-5-11, debts incurred by INvestEd do not represent or constitute debt of the State of Indiana within the meaning of the provisions of the statutes of Indiana or the Constitution of the State of Indiana. Additionally, private loans are not insured or guaranteed by the state or federal government. 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 described in the State of Indiana's Annual Comprehensive Financial Report for 2022 as a non-major discreetly 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.

INvestEd established and incorporated Accelerate Indiana, Inc. (Accelerate) on August 17, 2021, for the sole purpose of facilitating the role of INvestEd in serving as the administrator of the Indiana Career Accelerator Fund as described in Ind. Code 5-34-2-1. This corporation was established to provide financial assistance awards to assist individuals in obtaining credentials from qualified education programs. Accelerate is a blended component unit of INvestEd and does not prepare its own financial statements.

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.

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.

INvestEd's financial statements include the operations of funds that INvestEd has established to achieve its purposes under powers granted under Indiana Statute. The financial transactions of INvestEd are recorded in the funds which consist of a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses, as appropriate. INvestEd's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which financial activity is controlled.

Each of the funds described below is considered a major fund.

INvestED – The fund was established to account for the student loan activity.

Accelerate – The fund was established to account for the income share agreement activity.

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.

Student Loans Receivable - Student loans consist of federally insured FFELP student loans and private student loans. Private student loans consist of both tuition, parent and refinancing loan programs. Student loans receivable are stated at the principal amounts outstanding adjusted for an estimated allowance for loan losses.

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. Effective July 1, 2023, the index used to calculate special allowance for FFELP loans will be 30-day average SOFR plus a tenor spread adjustment of .11448.

Income Share Agreements - Income share agreements are financial assistance awards made available to assist eligible awardees in obtaining credentials from qualified education programs through eligible institutions. Income share agreements are stated at the principal amounts outstanding adjusted for an estimated allowance for losses.

Income share agreements do not bear interest nor does the repayment obligation ever exceed the principal amount awarded. Repayment must begin generally within six months after the awardee separates, withdraws or graduates from the education program.

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 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 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.

Interest income is recorded on an 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 statements of revenues, expenses and changes in net position.

Allowance for Student 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: origination volume, 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 or an Indiana law firm specializing in collections 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, 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.

Allowance for Income Share Loan Losses - Accelerate evaluates the adequacy of the allowance for loan losses based on several factors including the following: origination volume, delinquency status and any trends from industry data. As the portfolio ages, historical trends and experience will be evaluated as well. The income share agreement is considered to be in default when an awardee is twelve months delinquent. 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 income share agreements.

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

Notes Receivable - Notes receivable consist of three promissory notes related to various income share programs. Interest income on these promissory notes has not yet been accrued as the loans have been placed on non-accrual status due to the uncertainty of the timing of the future payments which are dependent upon the cash flows from the programs' underlying student contracts. The promissory notes will be restored to an accrual status once cash flow payments can be reasonably estimated.

Notes receivable are stated at unpaid balances, less an allowance for credit losses (doubtful loans). Notes receivable are considered past due when payments are not made in accordance with contractual terms. INvestEd provides for losses on notes receivable using the allowance method. The allowance for credit losses is maintained at an amount management considers adequate to cover inherent losses at the statement of net position date. INvestEd adheres to an internal review system and loss allowance methodology to provide for the detection of problem receivables and an adequate allowance to cover credit losses.

INvestEd reviews notes receivable on an annual basis to provide for an adequate allowance. The allowance is based on collection experience and other circumstances which may affect the ability of the programs to meet their obligations. Notes receivable are considered impaired if full principal payments are not received in accordance with contractual terms. It is INvestEd's policy to charge off uncollectible notes receivable when management determines the amount will not be collected.

INvestEd evaluates credit exposure using a credit quality indicator based on payment activity. If payments have not been made in accordance with contractual terms, the notes would be rated as “Nonperforming”. The credit quality indicator is updated on an annual basis.

Right of Use Asset and Lease Liability - INvestEd determines if an arrangement is a lease at inception. A lease asset is recognized for its right to use the underlying leased asset and a lease liability for the corresponding obligation to make lease payments. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The present value is calculated using the rate implicit in the lease. If the rate is not readily determinable from the lease, INvestEd will estimate an applicable incremental borrowing rate. Right-of-use assets also include any lease payments made and exclude lease incentives. No right-of-use asset or lease liability is recognized for any leases with payments under $5,000 annually, as they have been determined to be insignificant to the financial statements.

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

Refundable Grant Advance –- The grant of $10,000,000 received from the State of Indiana to fund Accelerate Indiana is reported as a refundable liability to the extent the funds are not used for eligible expenses. The amount of eligible expenses incurred during fiscal year 2023 were $2,173,000 with a remainder balance of $7,009,000 as of June 30, 2023. As of June 30, 2022, the amount of eligible expenses incurred was $818,000 with a remainder balance of $9,182,000.

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

Net Position - $166,632,000 and $157,516,000 of INvestEd's net position and all related revenues were unrestricted on June 30, 2023 and 2022, respectively. INvestEd does, however, maintain other arrangements which limit the use of assets. At June 30, 2023 and 2022, INvestEd's restricted net position of $5,496,000 and $5,962,000, respectively, reflect debt reserve requirements (see Note 8) and $60,000 and $36,000, respectively, reflect amounts invested in capital assets (see Note 7).

When both restricted and unrestricted resources are available for use, it is the INvestEd's policy to use restricted resources first, then unrestricted resources as they are needed.

Loan Income and Related Expenses - Interest and special allowance on student loans are recognized as income in the period earned, and servicing costs are charged to expense as incurred. Income share agreements will earn income from the Indiana Department of Revenue based on the incremental tax increase in the earnings of an awardee. This will be recognized as income in the period earned and servicing costs are charged to expense as incurred.

Servicing Fees - As of June 30, 2023, Pennsylvania Higher Education Assistance Agency services INvestEd's FFELP student loan portfolio and private tuition, parent and refinance loan portfolios. Knowledge Finance services the income share agreement 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 loan issuances are the principal source of the operating funds. INvestEd derives operating revenue from interest earned on student loans, administrative fee income, 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, loan servicing and administration, and payroll expense.

Nonoperating Revenues and Expenses - A grant from the Commission for Higher Education is the primary source of operating funds for Accelerate as of June 30, 2023.

Income Taxes - INvestEd and Accelerate are 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 and Accelerate have been determined by the Internal Revenue Service not to be private foundations within the meaning of Section 509(a) of the Internal Revenue Code. Additionally, INvestEd and Accelerate meet the criteria required for classification as an affiliate of a government unit, and therefore, are not required to file federal or state information returns.

Subsequent Events - Management has evaluated the financial statements for subsequent events occurring through October 19, 2023, 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 five demand deposit accounts are carried at cost and are insured up to $250,000 per financial institution.

The carrying amount of demand deposits was $14,944,000 and bank balances were $14,872,000 at June 30, 2023. INvestEd's maximum risk was $14,622,000 at June 30, 2023.

Investments

The investment policy for INvestEd 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. Accelerate funds not currently needed to meet the obligations in the fund are invested in the same manner that other public funds may be invested. Interest that accrues from these investments is deposited in the fund. Excerpts from the investment policy for INvestEd 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.

  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. DEPOSITS AND INVESTMENTS (CONTINUED)

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%

- ***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. DEPOSITS AND INVESTMENTS (CONTINUED)

2. Failure to adhere to any aspect of the 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 years).

Interest Rate Risk

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

As of June 30, 2023, and 2022, INvestEd had the following investments and cash equivalents and maturities:

2023 Investment Type	Fair Value (In thousands)	Maturities (In Years) < 1	1–5	6–10	> 10
Money market fund shares	$ 8,624	$ 8,624			
Certificates of deposit	189		$ 189		
Fixed income investments:					
U.S. Treasury notes	6,148	489	5,332	$ 327	
Corporate bonds	9,585	690	6,468	2,231	$ 196
Government agency bonds	177		50	16	111
Municipal bonds	2,451	444	1,646	361	
Mutual fund bond funds	10,009	10,009			
Exchange traded funds	22,786	22,786			
Equity mutual funds	35,941	35,941			
Common stocks	14,260	14,260			
Hedge funds	747	21			726
	$ 110,917	$ 93,264	$ 13,685	$ 2,935	$ 1,033

2. DEPOSITS AND INVESTMENTS (CONTINUED)

2022 Investment Type	Fair Value (In thousands)	Maturities (In Years) < 1	1–5	6–10	> 10
Money market fund shares	$ 5,692	$ 5,692			
Certificates of deposit	189		$ 189		
Fixed income investments:					
U.S. Treasury notes	5,651	594	4,913	$ 144	
Corporate bonds	9,322	100	6,112	2,855	$ 255
Government agency bonds	895		715	35	145
Municipal bonds	2,473	290	1,892	291	
Mutual fund bond funds	11,890	11,890			
Exchange traded funds	21,276	21,276			
Equity mutual funds	28,855	28,855			
Common stocks	14,346	14,346			
Hedge funds	4,741	3,963			778
	$ 105,330	$ 87,006	$ 13,821	$ 3,325	$ 1,178

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.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

The following table provides information on the credit ratings associated with INvestEd's investments and cash equivalents as of June 30, 2023:

Investment Type	Fair Value (in thousands)	Moody's	S&P
Money market fund shares	2,474	NR	NR
Money market fund shares	6,150	Aaa-mf	AAAm
Certificates of deposit	189	NR	NR
Government agency bonds	50	AAA	AA+
Government agency bonds	127	NR	NR
U.S. Treasury notes	448	NR	NR
U.S. Treasury notes	5,701	AAA	NR
Corporate bonds	140	AAA	AA+
Corporate bonds	192	AA2	A+
Corporate bonds	241	AA2	AA-
Corporate bonds	168	AA3	AA-
Corporate bonds	615	A1	A+
Corporate bonds	234	A1	A
Corporate bonds	896	A1	A-
Corporate bonds	135	A1	AA-
Corporate bonds	279	A1	BBB+
Corporate bonds	551	A2	A
Corporate bonds	314	A2	A-
Corporate bonds	430	A2	BBB+
Corporate bonds	148	A3	A+
Corporate bonds	63	A3	A
Corporate bonds	760	A3	A-
Corporate bonds	339	A3	BBB+
Corporate bonds	86	BAA1	A-
Corporate bonds	874	BAA1	BBB+
Corporate bonds	569	BAA1	BBB
Corporate bonds	90	BAA2	A-
Corporate bonds	131	BAA2	BBB+
Corporate bonds	2,090	BAA2	BBB
Corporate bonds	239	BAA3	BBB-
Municipal bonds	430	AAA	AAA
Municipal bonds	154	AAA	AA+
Municipal bonds	290	AA1	AA+
Municipal bonds	196	AA2	AA
Municipal bonds	111	AA3	--
Municipal bonds	93	AA3	A+
Municipal bonds	114	AA3	AA-
Municipal bonds	184	A2	A
Municipal bonds	96	--	AAA
Municipal bonds	225	--	AA+
Municipal bonds	512	--	AA
Municipal bonds	46	--	AA-
	$27,174		

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, 2023:

iShares S&P 500 Growth ETF	8.41%
United States Treasuries	6.01%
William Blair Large Cap Growth	7.27%

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2023, there was no foreign currency risk exposure.

3. 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.

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, 2023 and 2022.

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 to transact at that price. These funds are deemed to be actively traded.

Certificates of Deposit: Valued by discounting cash flows based on interest rates of similar instruments with similar credit ratings and duration.

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.

3. FAIR VALUE MEASUREMENTS (CONTINUED)

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 issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Hedge Funds: Valued at net asset value (NAV), as provided by the fund manager. NAV is used as a practical expedient to estimate fair value and is based on the fair value of the underlying investments less liabilities. The practical expedient would not be used if it is determined to be probable that the fund would sell the investment for an amount different than the reported NAV. When NAV is used to estimate fair value, these funds are not classified in the fair value hierarchy.

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, 2023 and 2022 (in thousands):

Fair Value

2023	Level 1	Level 2	Total	Measured at NAV
ASSETS:				
Cash and equivalents:				
Money market fund shares	$ 8,624		$ 8,624	
Investments:				
Certificates of deposit	189		189	
Fixed Income Investments:				
US Treasury notes	6,148		6,148	
Corporate bonds		$ 9,585	9,585	
Government agency	177		177	
Municipal bonds	2,451		2,451	
Mutual fund bond funds	10,009		10,009	
Exchange Traded Funds	22,786		22,786	
Equity Mutual Funds	35,941		35,941	
Common Stocks	14,260		14,260	
Hedge Funds				$ 747
Total Assets at Fair Value	$ 100,585	$ 9,585	$ 110,170	$ 747

3. FAIR VALUE MEASUREMENTS (CONTINUED)

2022	Level 1	Level 2	Total	Measured at NAV
ASSETS:				
Money market fund shares	$ 5,692		$ 5,692	
Investments:				
Certificates of deposit	189		189	
Fixed Income Investments:				
US Treasury notes	5,651		5,651	
Corporate bonds		$9,322	9,322	
Government agency	895		895	
Municipal bonds	2,473		2,473	
Mutual fund bond funds	11,890		11,890	
Exchange Traded Funds	21,276		21,276	
Equity Mutual Funds:	28,855		28,855	
Common Stocks	14,346		14,346	
Hedge Funds				$ 4,741
Total Assets at Fair Value	$ 91,267	$9,322	$100,589	$ 4,741

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, 2023 and 2022:

Instrument	Fair Value (In thousands) 2023	2022	Unfunded Commitments (In thousands)	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge fund (a)	$ 21	$3,963	N/A	Daily	One day
Hedge fund (b)	726	778	$216	Not allowed during 10 yr. investment term	N/A
Total Hedge Funds	$747	$4,741			

(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.

3. FAIR VALUE MEASUREMENTS (CONTINUED)

(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.

4. 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 discounts. FFELP loans earn interest at various rates ranging from 2.84% 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, 2023 and 2022, the majority of INvestEd's FFELP loans were guaranteed by the Pennsylvania Higher Education Assistance Agency (64% as of June 30, 2023), California Student Aid Commission/EDFund (16% as of June 30, 2023), and Educational Credit Management Corporation (16% as of June 30, 2023).

Student loans receivable also consist of private loans either originated or purchased under one of INvestEd's tuition, parent and refinance loan programs. Private loans are carried at their unpaid principal balance net of an allowance for loan losses. Private tuition and parent loans earn interest at various rates ranging from 3.17% to 11.55%, depending on the type of private loan and date the loan was made. Private refinance loans earn interest at various rates ranging from 3.92% to 11.48% depending upon the term of the loan and the date the loan was made. Private loans are not subject to any federal guarantees.

A portfolio of FFELP loans was 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.

Student loans receivable - net as of June 30, 2023 and 2022, consisted of the following:

	2023	2022
	(In thousands)	
Federal Family Education Loan Program	$ 46,138	$ 56,355
Private loan programs	72,046	64,443
Less - allowance for loan losses	(3,114)	(3,457)
End of year	$ 115,070	$ 117,341
Current portion	$ 9,045	$ 8,971
Long-term portion	$ 106,025	$ 108,370

4. STUDENT LOANS RECEIVABLE - NET (CONTINUED)

The activity for the allowance for loan losses for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
	(In thousands)	
Beginning of year	$ 3,457	$ 5,681
Provision for loan losses	179	(1,870)
Recoveries	79	32
Write-offs of loans	(601)	(386)
End of year	$ 3,114	$ 3,457

5. INCOME SHARE AGREEMENTS – NET

Income share agreements consist of agreements originated under the Indiana Career Accelerator fund. Income share agreements are carried at their unpaid principal balance net of an allowance for losses. No interest is accrued on income share agreements. Income share agreements are not subject to any federal guarantees.

	2023	2022
	(In thousands)	
Income share agreements	$ 2,392	$ 630
Less - allowance for losses	(362)	(65)
End of year	$ 2,030	$ 565
Current portion	$ 252	$ 92
Long-term portion	$ 1,778	$ 473

The activity for the allowance for loan losses for the year ended June 30, 2023 is as follows:

	2023	2022
	(In thousands)	
Beginning of year	$ 65	$
Provision for loan losses	414	65
Write-offs of loans	(117)	
End of year	$ 362	$ 65

6. NOTES RECEIVABLE

Effective September 30, 2018, INvestEd entered into a senior note purchase agreement with Back A Boiler - ISA Fund, LLC (Fund I) for a commitment of $1,000,000. As a noteholder in the agreement, INvestEd had funded $965,000 as of June 30, 2019. The remaining unfunded commitment was waived during fiscal year 2019. INvestEd has received returned capital in the amount of $427,600 as of June 30, 2023.

Effective October 26, 2018, INvestEd entered into a senior note purchase agreement with Back A Boiler - ISA Fund II, LLC (Fund II) for a commitment of $3,000,000. As a noteholder in the agreement INvestEd has fully funded the commitment of $3,000,000 as of June 30, 2022. INvestEd has received interest payments in the amount of $502,535 as of June 30, 2023.

These note agreements call for quarterly payments based on available cash flows of the funds as defined in the agreement with an anticipated starting date for those payments of 36 months from issuance. Fund I calls for an expected and maximum interest rate of 4% and a final maturity date of the date all accrued interest and principal have been paid or September 30, 2031. Fund II calls for an expected and maximum interest rate of 4.5% and a final maturity date of the date all accrued interest and principal have been paid or the 12th anniversary of the last capital call under the agreement.

Effective July 9, 2020, INvestEd entered into an agreement with Stride Fund 1, LLC for a commitment of $1,000,000 to invest in Qualified Income Share Agreements. As an investor in this agreement INvestEd has fully funded the $1,000,000 as of June 30, 2022. INvestEd has received returned capital in the amount of $39,534 as of June 30, 2023.

This agreement calls for distributions to the extent cash is available as follows: first a return of capital in proportion to capital contribution amounts, and second a preferred return of 8%. This return is cumulative to the extent not distributed in any given year. The termination date of this agreement is June 30, 2030.

7. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2023 and 2022, (in thousands) were as follows:

	2022	Additions	Retirements	2023
Depreciable capital assets:				
Furniture and equipment	$ 312	$ 41	$ 2	$ 351
Leasehold improvements	112			112
Total depreciable capital assets	424	41	2	463
Less accumulated depreciation	388	16	1	403
Net depreciable capital assets	$ 36	$ 25	$ 1	$ 60

7. CAPITAL ASSETS (CONTINUED)

	2021	Additions	Retirements	2022
Depreciable capital assets:				
Furniture and equipment	$ 323	$ 9	$ 20	$ 312
Leasehold improvements	112			112
Total depreciable capital assets	435	9	20	424
Less accumulated depreciation	375	33	20	388
Net depreciable capital assets	$ 60	$ (24)	$	$ 36

8. NOTES AND BONDS PAYABLE AND LINES OF CREDIT

Notes payable and bonds payable as of June 30, 2023 and 2022 consisted of Floating Rate Notes (FRNs) and tax-exempt student loan revenue bonds. Effective June 2020 a margin line of credit with Fidelity was established. This line was paid in full but remains open as of June 30, 2023. Effective July 2021 a line of credit with First Merchants Bank (FMB) was established. This line of credit was closed June 15, 2023, and a new line was established with Old National Bank (ONB). The following table displays the activity in notes payable and bonds for the years ended June 30, 2023 and 2022 (in thousands):

	2022	Additions	Reductions	2023	Due in 1 Year
Notes and bonds payable, net	$ 49,505	$ 29,999	$ (8,616)	$ 70,888	$ 10,728
FMB line of credit	27,000	2,003	(29,003)		
ONB line of credit		2,188		2,188	
	$ 76,505	$ 34,190	$ (37,619)	$ 73,076	$ 10,728

	2021	Additions	Reductions	2022	Due in 1 Year
Notes payable, net	$ 58,248		$ (8,743)	$ 49,505	$ 9,524
Margin line of credit borrowings	23,136	$ 55	(23,191)		
FMB line of credit		27,000		27,000	
	$ 81,384	$ 27,055	$ (31,934)	$ 76,505	$ 9,524

Notes and bonds payable at June 30, 2023 include $41,088,000 of taxable LIBOR FRNs less an unamortized bond discount of $74,000 and $28,890,000 of tax-exempt student loan revenue bonds plus an unamortized premium bond discount of $983,993. Notes payable at June 30, 2022 included $49,605,000 of taxable LIBOR FRNs less an unamortized bond discount of $130,000. The FRNs mature on February 25, 2044. Interest on the FRNs ranged from 2.42% to 5.94% and 0.90% to 1.81% during the years ended June 30, 2023 and 2022, 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 0.80% per annum. Effective July 1, 2023 the interest rate will be based on one-month term SOFR plus a spread of 0.11448%. 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 and collateralized by the student loans, revenues, and recoveries of principal and all amounts held in any account established under the note documents. These notes are not an obligation of the State of Indiana and are not backed by the full faith and credit of the State of Indiana. Principal payments are required to be made monthly based on available funds less required fees and transfers as stipulated in the note documents.

8. NOTES AND BONDS PAYABLE AND LINES OF CREDIT (CONTINUED)

Tax-exempt student loan revenue bonds were issued December 15, 2022, in the amount of $28,890,000 plus a bond premium of $1,109,000. The bonds mature between June 1, 2024 and June 1, 2039. Interest on the bonds is fixed at 5% for the serial bonds and 4.50% for a super sinker bond. Interest is paid semi-annually on June 1 and December 1. These bonds payable are limited obligations of INvestEd and are payable from and collateralized by the student loans, revenues, and recoveries of principal and all amounts held in any account established under the bond documents. These bonds are not an obligation of the State of Indiana and are not backed by the full faith and credit of the State of Indiana.

The margin line of credit had borrowings of $0 at June 30, 2023 and 2022, respectively. The interest rate on the margin line ranged from 4.50% to 7.25% and is based on the Fidelity Advisor Base Lending Rate utilizing the index of the federal funds rate. The margin line of credit is secured by investments and had availability of $3,385,462 as of June 30, 2023. Borrowings are due on demand.

The First Merchants Bank line of credit had borrowings of $2,002,000 but was paid in full effective June 15, 2023. The interest rate on the line ranged from 1.83% to 3.54% and was based on one month LIBOR plus a spread of 1.75% per annum and was 3.54% at June 15, 2023. Interest was paid on the first day of each month or the next succeeding business day. This line of credit was collateralized by the private student loan portfolio established under the line documents. This line of credit is not an obligation of the State of Indiana and is not backed by the full faith and credit of the State of Indiana.

A line of credit was established effective June 15, 2023 with Old National Bank with an available amount of $34,000,000. The line had borrowings of $2,188,051 as of June 30, 2023. This line of credit matures June 15, 2025. The interest rate on the line as of June 30, 2023 was 7.168% and is based on 1 month CME SOFR plus a spread of 1.85%. Interest is paid on the first day of each month or the next succeeding business day. This line of credit is collateralized by the private student loan portfolio established under the line documents. This line of credit is not an obligation of the State of Indiana and is not backed by the full faith and credit of the State of Indiana.

The FRNs allow for remedies in the case there is an event of default. An event of default can be (i) default in the due and punctual payment of the principal of any of the FRNs when due and payable on the related stated maturity date; (ii) default in the due and punctual payment of interest distribution amount on any of the notes when due and such default shall continue for a period of five business days; (iii) default in the performance or observance of any other of the covenants, agreements or conditions on the part of INvestEd to be kept, observed and performed contained in the indenture or in the FRNs, and, if such default is capable of being cured, the continuation of such default for a period of 90 days after written notice thereof by the trustee to the authorized representative of INvestEd; or (iv) the occurrence of an event of bankruptcy. In no event shall the failure to pay principal of the FRNs (except failure to pay principal of the FRNs on the stated maturity date) be an event of default. Although the interest shortfall amount may be used for administrative purposes to track any unpaid and overdue interest on the FRNs, any failure to pay interest on the FRNs when due under the indenture as described in (ii) above shall be an event of default under the indenture.

Upon an acceleration of the FRNs in accordance with the provisions of the indenture due to the occurrence of an event of default, the trustee may take possession of the trust estate. Furthermore, the trustee shall take possession of the trust estate at the written direction of the registered owners representing not less than a majority in aggregate principal of the FRNs outstanding at the time, upon an acceleration of the FRNs in accordance with the provisions of the indenture due to an event of default.

8. NOTES AND BONDS PAYABLE AND LINES OF CREDIT (CONTINUED)

The following table displays estimated future debt maturities and interest payments for FRN notes payable at June 30, 2023 (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
2024	$ 9,549	$ 2,330	$ 11,879
2025	8,523	1,887	10,410
2026	7,676	1,378	9,054
2027	7,459	638	8,097
2028	7,091	247	7,338
2029-2033	790	4	794
Total	41,088	6,484	47,572
Discount	(74)		(74)
Notes payable, net	$ 41,014	$ 6,484	$ 47,498

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.

The revenue bonds payable allow for remedies in the case there is an event of default. An event of default can be (i) default in the due and punctual payment of the principal of or interest on any of the Senior Bonds when due; (ii) default in the performance or observance of any other of the covenants, agreements or conditions on the part of INvestEd to be kept, observed and performed contained in the indenture or in the Bonds, and, if such default is capable of being cured, the continuation of such default for a period of 90 days after written notice thereof by the trustee to the authorized representative of INvestEd; or (iii) the occurrence of an event of bankruptcy. Upon the happening and the continuance of any event of default, the trustee may in the case of event of default upon written direction of 100% of the Registered Owners may take possession of the trust estate.

8. NOTES AND BONDS PAYABLE AND LINES OF CREDIT (CONTINUED)

The following table displays estimated future debt maturities and interest payments for revenue bonds payable at June 30, 2023 (in thousands), based on INvestEd's best estimate of expected available future cash flows as stipulated in the bond documents:

Year Ending, June 30,	Principal	Interest	Total
2024	$ 1,000	$ 1,394	$ 2,394
2025	2,090	1,335	3,425
2026	3,000	1,222	4,222
2027	3,500	1,068	4,568
2028	3,100	897	3,997
2029-2033	7,695	2,609	10,304
2034-2038		1,914	1,914
2039-2043	8,505	383	8,888
Total	28,890	10,822	39,712
Premium	984		984
Bond payable, net	$ 29,874	$ 10,822	$ 40,696

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.

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

The respective bond official statements include the following language, "the bonds are special and limited obligations of the Issuer (INvestEd), secured solely by and payable solely from the trust estate. Neither the full faith and credit nor the taxing power of the State of Indiana or any agency or political subdivision thereof is pledged for the payment of the bonds. The Issuer's obligations are not general, special, or moral obligations of the State of Indiana. The Issuer is not authorized under the Indenture or laws of the State of Indiana to create, and the bonds do not constitute public debt of the State of Indiana or any agent or political subdivision thereof within the meaning of the Indiana Constitution or laws of the State of Indiana or debt of the State of Indiana or agency or political subdivision thereof for any other purpose whatsoever. Holders of the bonds shall never have the right to demand payment thereof out of the money raised or to be raised by taxation."

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

Student Loan Fund – This fund was established from proceeds of the bonds and shall be used during the acquisition period as set forth in the indenture to make, acquire, finance or refinance eligible loans.

Revenue Fund - This fund is used to account for all revenues received by INvestEd with respect to the financed eligible loans. The funds are used for the following distributions: (a) rebate or excess earnings, (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 for the payment of principal and interest on the bonds.

9. 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 6% 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 2023 and 2022 were approximately $81,000 and $71,000, respectively.

10. COMMITMENTS

INvestEd leases office space under the terms of a long-term non-cancellable lease. Lease payments have an escalating fee schedule of approximately 2%. This lease term ends effective July 2024.

At June 30, 2023 and 2022, total right-of-use assets and lease liabilities, including classification in the statements of net position, were as follows (in thousands):

	2023	**2022**
Lease assets:		
Right of use asset	$325	$325
Accumulated amortization	(211)	(105)
Right of use asset, net	$114	$220
Lease liabilities:		
Current portion	$105	$105
Non-current portion	20	125
Total	$125	$230
Total lease costs:		
Amortization of right of use asset	$105	$105
Interest on lease liabilities	15	23
Total	$120	$128

Future minimum required payments under this lease at June 30, 2023, were as follows:

Year Ending June 30,	**Rental Payments (in Thousands)**
2024	$ 105
2025	20
	$ 125

11. 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

Katz, Sapper & Miller, LLP
Certified Public Accountants

800 East 96th Street, Suite 500
Indianapolis, IN 46240

Independent Auditor's 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 the business-type activities and each major fund of Indiana Secondary Market for Education Loans, Inc. d/b/a INvestEd (INvestEd), a component unit of the State of Indiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise INvestEd's basic financial statements, and have issued our report thereon dated October 19, 2023.

Report on 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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 or significant deficiencies may exist that were not identified.

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Report on 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 financial statements. 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, 2023