



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

Financial Statements and Supplementary Information for the  
Years Ended June 30, 2024 and 2023, and  
Independent Auditor's Report

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

**TABLE OF CONTENTS**

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	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)</b>	4-9
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12-13
Notes to Financial Statements	14-35
<b>OTHER REPORT</b>	
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 <i>Government Auditing Standards</i>	36-37

*Independent Auditor's Report*

Board of Directors

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, 2024 and 2023, 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, 2024 and 2023, 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.

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 17, 2024, 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 17, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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

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

Indiana Secondary Market for Education Loans, Inc. was established pursuant to Public Law No. 154 of the 1980 Indiana General Assembly and is a public benefit corporation organized exclusively for education purposes. Indiana Secondary Market for Education Loans, Inc. is governed by a nine-member Board of Directors. Effective July 1, 2023, the governance structure changed based on House Enrolled 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 Representatives, and the Minority Leader of the Indiana House of Representatives with each appointment serving a four-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 statute, INvestEd has created tuition, parent and refinancing 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. 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).

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, a different source of funds was needed. The Corporation was able to secure a Memo of Understanding with the Commission for Higher Education to facilitate 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 which assisted individuals in obtaining credentials from qualified education programs. This program is currently paused due to a lack of funding, but the program continues to be administered by INvestEd and Accelerate Indiana. Accelerate Indiana is governed by the Executive Committee of the INvestEd Board of Directors.

**INDIANA SECONDARY MARKET FOR EDUCATION LOANS, INC. d/b/a INvestEd****MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

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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, 2024 and 2023, 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, 2024 and 2023. The statements of cash flows provide information about the sources and uses of INvestEd's cash resources for the years ended June 30, 2024 and 2023.

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 income share agreement activity.

**Condensed Financial Information (in thousands)**

<b>Statements of Net Position as of June 30,</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Cash and investments	\$ 119,103	\$ 125,860	\$ 122,792
Student loans receivable—net	112,529	115,069	117,341
Income share agreements—net	6,511	2,030	565
Other assets	10,458	10,124	9,674
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 248,601</u>	<u>\$ 253,083</u>	<u>\$ 250,372</u>
Lines of credit	\$ 12,688	\$ 2,188	\$ 27,000
Notes and bonds payable	52,479	70,888	49,505
Refundable grant advance	399	7,009	9,182
Other liabilities	2,322	810	1,171
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	67,888	80,895	86,858
Total net position	<u>180,713</u>	<u>172,188</u>	<u>163,514</u>
Total liabilities and net position	<u>\$ 248,601</u>	<u>\$ 253,083</u>	<u>\$ 250,372</u>



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**Condensed Financial Information (in thousands)**

<b>Results Years Ended June 30,</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Interest on student loans, including subsidy	\$ 6,682	\$ 6,043	\$ 5,541
Special allowance on student loans	1,125	714	(1,165)
Other income	164	535	11
Total operating revenues	7,971	7,292	4,387
Fees	52	59	46
Loan servicing and administration	9,149	6,209	3,339
Arbitrage rebate provision	32		
Total operating expenses	9,233	6,268	3,385
Net income (loss) from operations	(1,262)	1,024	1,002
Investment return	13,529	9,829	(11,399)
Interest expense	(3,589)	(3,601)	(1,113)
Grants expense	(6,750)		
Grant revenue	6,609	2,174	818
Debt issuance costs	(12)	(752)	(25)
Net nonoperating revenues (expenses)	9,787	7,650	(11,719)
Change in net position	8,525	8,674	(10,717)
Net Position - Beginning of year	172,188	163,514	174,231
Net Position - End of year	\$ 180,713	\$ 172,188	\$ 163,514

**Financial Analysis**

**Statement of Net Position**

During the fiscal year ended June 30, 2024, total assets decreased \$4.5 million compared to a decrease in liabilities of \$13.0 million. This resulted in an increase to INvestEd's net position of \$8.5 million or 4.95%. This change in net position is due to a decrease in cash combined with an increase in the volume of income share agreements which is offset by a larger decrease in the refundable grant advance that was established for the benefit of Accelerate as well as a decrease in the amount of outstanding debt. This compares to an increase of 5.30% in the prior fiscal year due to positive market conditions.

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

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Cash and investments decreased 5.37% to \$119.1 million compared to a balance of \$125.9 million on June 30, 2023. This decrease is due to the funding of several grants by INvestED and by Accelerate of income share agreements.

Student loans receivable decreased 2.21% from \$115.1 million on June 30, 2023, to \$112.5 million on June 30, 2024, compared to a 1.94% decrease in the prior fiscal year. This decrease is largely due to the amount of loan payments, primarily FFELP loans, exceeding the origination of new loans. As of June 30, 2024, the student loan portfolio held by INvestEd consists of 30% FFELP loans, which is made up of 95% consolidation loans and 5% Stafford and PLUS Loans. The remaining 70% are private education loans either originated or purchased by InvestEd made up of 69% tuition and 31% refinance loans.

Income Share Agreements (ISA's) originated by Accelerate increased 220.74% from \$2.0 million on June 30, 2023, to \$6.5 million as of June 30, 2024. This increase was due to Accelerate issuing agreements utilizing the refundable grant advance held in the prior year, offset by increasing the allowance for loan losses due to the growth of these receivables.

Other assets increased 3.30% from \$10.1 million on June 30, 2023, to \$10.5 million at June 30, 2024. This increase is due to an increase in accrued interest receivable on student loans, as well as an increase in a right of use asset due to a new lease agreement.

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 \$246.9 thousand as additions exceeded retirements of capital assets at June 30, 2024, as compared to an increase of \$24.2 thousand, net of retirements, at June 30, 2023, as seen in Note 7.

Liabilities decreased 16.08% from \$80.9 million at June 30, 2023, to \$67.9 million at June 30, 2024, compared to a decrease of 7.42% in the prior fiscal year. This decrease is due to a decrease in notes and bonds payable of \$18.2 million as well as a decrease in the refundable grant advance for Accelerate Indiana in the amount of \$6.6 million offset by an increase in the line of credit of \$10.5 million. The decrease in notes and bonds payable 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, 2024, increased 4.95% to \$180.7 million compared to \$172.2 million at June 30, 2023. This compares to an increase of 5.60% in the prior fiscal year.

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.

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

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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% are 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 \$564.0 thousand on June 30, 2022, to \$2.0 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.

### 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.

Net income from operations was a loss of \$1.3 million on operating revenues of \$8.0 million in the fiscal year ended June 30, 2024, as compared to net income from operations of \$1.0 million on operating revenues of \$7.3 million in the prior fiscal year. Total operating revenues increased 9.31% in the fiscal year ended June 30, 2024, offset by a 47.30% increase in operating expenses. This net loss from operations was due to increases in loan servicing and loan loss provisions that was partially offset by increases in interest income and special allowance on student loans.

Net nonoperating revenues (expenses) increased \$2.1 million during the fiscal year ended June 30, 2024, compared to an increase of \$19.4 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 several grants made to the following entities: Commission for Higher Education, Center for Leadership Development, Indiana University in Indianapolis, and Purdue University in Indianapolis.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

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The net results were an increase in net position of \$8.5 million, a decrease of 1.72%.

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 \$19.4 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.

#### **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, 301 Pennsylvania Parkway, Suite 360, Indianapolis, Indiana 46280.

## **FINANCIAL STATEMENTS**

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

**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2024 AND 2023**  
(In thousands)

	2024			2023		
	INvestEd	Accelerate	Total	INvestEd	Accelerate	Total
<b>ASSETS</b>						
CURRENT ASSETS:						
Cash and equivalents:						
Unrestricted	\$ 12,132		\$ 12,132	\$ 13,037		\$ 13,037
Restricted	1,102	\$ 737	1,839	3,408	\$ 7,122	10,530
Total cash and equivalents	13,234	737	13,971	16,445	7,122	23,567
Investments	87,802		87,802	84,640		84,640
Student loans receivable — net	10,319		10,319	9,045		9,045
Income share agreements — net		186	186		252	252
Accrued interest receivable — student loans receivable	4,691		4,691	4,684		4,684
Accrued interest receivable — cash and short-term investments	178		178	162		162
Prepays and other assets	289	1	290	604	1	605
Total current assets	116,513	924	117,437	115,580	7,375	122,955
NON-CURRENT ASSETS:						
Investments	17,330		17,330	17,653		17,653
Notes receivable	4,232		4,232	4,498		4,498
Student loans receivable — net	102,210		102,210	106,025		106,025
Income share agreements — net		6,325	6,325		1,778	1,778
Right of use asset	760		760	114		114
Capital assets — net	307		307	60		60
Total non-current assets	124,839	6,325	131,164	128,350	1,778	130,128
TOTAL	\$ 241,352	\$ 7,249	\$ 248,601	\$ 243,930	\$ 9,153	\$ 253,083
<b>LIABILITIES AND NET POSITION</b>						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	\$ 1,313	\$ 11	\$ 1,324	\$ 485	\$ 56	\$ 541
Current portion of lease liability	96		96	105		105
Refundable grant advance		399	399		7,009	7,009
Accrued interest payable	144		144	144		144
Current portion of notes and bonds payable — net	10,078		10,078	10,728		10,728
Line of credit borrowings	12,688		12,688	2,188		2,188
Total current liabilities	24,319	410	24,729	13,650	7,065	20,715
NON-CURRENT LIABILITIES:						
Lease liability	726		726	20		20
Notes and bonds payable — net	42,401		42,401	60,160		60,160
Arbitrage rebate payable	32		32			
Total non-current liabilities	43,159		43,159	60,180		60,180
Total liabilities	67,478	410	67,888	73,830	7,065	80,895
NET POSITION:						
Net investment in capital assets	307		307	60		60
Unrestricted	172,465		172,465	166,632		166,632
Restricted	1,102	6,839	7,941	3,408	2,088	5,496
Total net position	173,874	6,839	180,713	170,100	2,088	172,188
TOTAL	\$ 241,352	\$ 7,249	\$ 248,601	\$ 243,930	\$ 9,153	\$ 253,083

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, 2024 AND 2023

(In thousands)

	2024			2023		
	INvestEd	Accelerate	Total	INvestEd	Accelerate	Total
OPERATING REVENUES:						
Interest on student loans	\$ 6,623		\$ 6,623	\$ 5,973		\$ 5,973
U.S. Secretary of Education:						
Special allowance	1,125		1,125	714		714
Interest subsidy	59		59	70		70
Other income	164		164	535		535
	<u>7,971</u>		<u>7,971</u>	<u>7,292</u>		<u>7,292</u>
Total operating revenues						
	<u>7,971</u>		<u>7,971</u>	<u>7,292</u>		<u>7,292</u>
OPERATING EXPENSES:						
Fees	52		52	59		59
Loan servicing and administration	5,811	\$ 443	6,254	5,379	\$ 236	5,615
Loan loss provision	1,480	1,415	2,895	180	414	594
Arbitrage rebate recovery	32		32			
	<u>7,375</u>	<u>1,858</u>	<u>9,233</u>	<u>5,618</u>	<u>650</u>	<u>6,268</u>
Total operating expenses						
	<u>7,375</u>	<u>1,858</u>	<u>9,233</u>	<u>5,618</u>	<u>650</u>	<u>6,268</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>596</u>	<u>(1,858)</u>	<u>(1,262)</u>	<u>1,674</u>	<u>(650)</u>	<u>1,024</u>
NONOPERATING REVENUES (EXPENSES):						
Investment return	13,529		13,529	9,829		9,829
Interest expense	(3,589)		(3,589)	(3,601)		(3,601)
Debt issuance costs	(12)		(12)	(752)		(752)
Grant revenue		6,609	6,609		2,174	2,174
Grants expense	(6,750)		(6,750)			
	<u>3,178</u>	<u>6,609</u>	<u>9,787</u>	<u>5,476</u>	<u>2,174</u>	<u>7,650</u>
Net nonoperating revenues (expenses)						
	<u>3,178</u>	<u>6,609</u>	<u>9,787</u>	<u>5,476</u>	<u>2,174</u>	<u>7,650</u>
CHANGE IN NET POSITION	<u>3,774</u>	<u>4,751</u>	<u>8,525</u>	<u>7,150</u>	<u>1,524</u>	<u>8,674</u>
NET POSITION — Beginning of year	<u>170,100</u>	<u>2,088</u>	<u>172,188</u>	<u>162,950</u>	<u>564</u>	<u>163,514</u>
NET POSITION — End of year	<u>\$ 173,874</u>	<u>\$ 6,839</u>	<u>\$ 180,713</u>	<u>\$ 170,100</u>	<u>\$ 2,088</u>	<u>\$ 172,188</u>

See notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**  
(In thousands)

	2024			2023		
	INvestEd	Accelerate	Total	INvestEd	Accelerate	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Student loan interest received, net of special allowance payments	\$ 7,800		\$ 7,800	\$ 6,622		\$ 6,622
Payments (issuance) of student loans	(20,827)	\$ (6,022)	(26,849)	(17,188)	\$ (1,820)	(19,008)
Principal receipts on education loans	24,033	274	24,307	19,756	58	19,814
Payments (issuance) of notes receivable	266		266	(56)		(56)
Cash received for other operating activities	164		164	535		535
Cash payments for employees and vendors	(6,989)	(637)	(7,626)	(5,984)	(314)	(6,298)
Net cash provided (used) by operating activities	4,447	(6,385)	(1,938)	3,685	(2,076)	1,609
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sale of investments	23,049		23,049	34,643		34,643
Purchases of investments	(15,796)		(15,796)	(29,231)		(29,231)
Dividends and interest received, net of expenses	3,198		3,198	236		236
Net cash provided by investing activities	10,451		10,451	5,648		5,648
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Repayment of notes	(12,101)		(12,101)	(8,517)		(8,517)
Issuance (repayment) of bonds, net	(6,102)		(6,102)	29,247		29,247
Net borrowings (repayments) on line of credit	10,500		10,500	(24,812)		(24,812)
Interest paid on bonds	(3,379)		(3,379)	(2,721)		(2,721)
Grants expense	(6,750)		(6,750)			
Net cash provided (used) by noncapital financing activities	(17,832)		(17,832)	(6,803)		(6,803)
CASH FLOWS FROM CAPITAL ACTIVITIES:						
Purchase of capital assets, net	(277)		(277)	(41)		(41)
Net cash used by capital activities	(277)		(277)	(41)		(41)
CHANGE IN CASH AND EQUIVALENTS	(3,211)	(6,385)	(9,596)	2,489	(2,076)	413
CASH AND EQUIVALENTS — Beginning of year	16,445	7,122	23,567	13,956	9,198	23,154
CASH AND EQUIVALENTS — End of year	<u>\$ 13,234</u>	<u>\$ 737</u>	<u>\$ 13,971</u>	<u>\$ 16,445</u>	<u>\$ 7,122</u>	<u>\$ 23,567</u>

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, 2024 AND 2023  
(In thousands)

	2024			2023		
	INvestEd	Accelerate	Total	INvestEd	Accelerate	Total
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Income (loss) from operations	\$ 596	\$ (1,858)	\$ (1,262)	\$ 1,674	\$ (650)	\$ 1,024
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:						
Depreciation and amortization expense	(59)		(59)	23		23
Provision for allowance for loan losses, net of write-offs and recoveries	303	1,266	1,569	(342)	297	(45)
Debt related expenses	12		12	752		752
Interest on student loans recapitalized	(1,758)		(1,758)	(1,478)		(1,478)
Change in assets and liabilities:						
(Increase) decrease in student loans receivable	3,995	(5,747)	(1,752)	4,091	(1,762)	2,329
Increase in accrued interest receivable	(7)		(7)	(135)		(135)
(Increase) decrease in notes receivable	266		266	(56)		(56)
Increase in prepaids and other assets	(458)	(1)	(459)	(309)	(1)	(310)
Increase in arbitrage rebate payable	32		32			
Increase (decrease) in other liabilities	1,525	(45)	1,480	(535)	40	(495)
Net cash provided (used) by operating activities	<u>\$ 4,447</u>	<u>\$ (6,385)</u>	<u>\$ (1,938)</u>	<u>\$ 3,685</u>	<u>\$ (2,076)</u>	<u>\$ 1,609</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2024 AND 2023

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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. 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 a 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 to it. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2024 AND 2023

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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 is 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2024 AND 2023

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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, approved by the Indiana Finance Authority, for all funds held outside the existing trust. INvestEd is restricted to investments that meet the rating requirements per the indenture of trust for all funds held within the trust.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2024 AND 2023

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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 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 is 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 2024 were \$6,609,000 with a remainder balance of \$399,000 as of June 30, 2024. As of June 30, 2023, the amount of eligible expenses incurred was \$2,173,000 with a remainder balance of \$7,009,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2024 AND 2023

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

**Net Position** - \$172,465,000 and \$166,632,000 of INvestEd's net position and all related revenues were unrestricted on June 30, 2024 and 2023, respectively. INvestEd does, however, maintain other arrangements which limit the use of assets. At June 30, 2024 and 2023, INvestEd's restricted net position of \$1,102,000 and \$3,408,000 respectively, reflect debt reserve requirements (see Note 8); \$6,839,000 and \$2,088,000, respectively, are restricted for income share arrangements (see Note 5); and \$307,000 and \$60,000, 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, 2024, 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 note receivable interest income. 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, 2024. INvestEd paid grants to third parties during the year ended June 30, 2024.

**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 17, 2024, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2024 AND 2023

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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 \$5,565,000 and bank balances were \$7,021,000 at June 30, 2024. INvestEd's maximum risk was \$6,771,000 at June 30, 2024.

**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 are governed by the investment policy of the State of Indiana. Excerpts from the investment policy are as follows:

**(a) Investment Policy:**

- **Scope of this Investment Policy**

The statement of investment policy reflects the investment policy, objectives, and constraints for INvestEd assets that are not encumbered by trust or otherwise.

- **Long Range Goals**

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

- **Investments**

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

1. **Equity Securities:** Publicly traded common and preferred stocks, American Depositary 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2024 AND 2023

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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:

<u>Investment Class</u>	<u>Target</u>	<u>Allowable Range</u>
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.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**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, 2024 and 2023, INvestEd had the following investments and cash equivalents and maturities:

2024 Investment Type	Fair Value (In thousands)	Maturities (In Years)			
		< 1	1-5	6-10	> 10
Money market fund shares	\$ 8,406	\$ 8,406			
Certificates of deposit	198	198			
Fixed income investments:					
U.S. Treasury notes	7,280	897	\$ 5,321	\$ 1,062	
Corporate bonds	9,785	1,172	5,974	2,639	
Government agency bonds	145		50	8	\$ 87
Municipal bonds	1,981	424	1,439	118	
Mutual fund bond funds	7,504	7,504			
Exchange traded funds	17,675	17,675			
Equity mutual funds	45,194	45,194			
Common stocks	14,738	14,738			
Hedge funds	632				632
	<u>\$ 113,538</u>	<u>\$ 96,208</u>	<u>\$ 12,784</u>	<u>\$ 3,827</u>	<u>\$ 719</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**2. DEPOSITS AND INVESTMENTS (CONTINUED)**

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
	<u>\$ 110,917</u>	<u>\$ 93,264</u>	<u>\$ 13,685</u>	<u>\$ 2,935</u>	<u>\$ 1,033</u>

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**
**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, 2024:

Investment Type	Fair Value (in thousands)	Moody's	S&P
Money market fund shares	4,702	NR	NR
Money market fund shares	3,704	Aaa-mf	AAAm
Certificates of deposit	198	NR	NR
Government agency bonds	50	AAA	AA+
Government agency bonds	95	NR	NR
U.S. Treasury notes	497	NR	NR
U.S. Treasury notes	6,783	AAA	NR
Corporate bonds	132	AAA	AA+
Corporate bonds	242	AA2	AA-
Corporate bonds	192	AA2	A+
Corporate bonds	170	AA3	AA-
Corporate bonds	135	A1	AA-
Corporate bonds	696	A1	A+
Corporate bonds	239	A1	A
Corporate bonds	918	A1	A-
Corporate bonds	285	A1	BBB+
Corporate bonds	706	A2	A
Corporate bonds	323	A2	A-
Corporate bonds	440	A2	BBB+
Corporate bonds	64	A3	A
Corporate bonds	958	A3	A-
Corporate bonds	344	A3	BBB+
Corporate bonds	870	BAA1	BBB+
Corporate bonds	514	BAA1	BBB
Corporate bonds	231	BAA2	BBB+
Corporate bonds	2,080	BAA2	BBB
Corporate bonds	246	BAA3	BBB-
Municipal bonds	141	AAA	AAA
Municipal bonds	74	AAA	AA+
Municipal bonds	298	AA1	AA+
Municipal bonds	97	AA2	AA
Municipal bonds	114	AA3	--
Municipal bonds	97	AA3	A+
Municipal bonds	118	AA3	AA-
Municipal bonds	188	A2	A
Municipal bonds	100	--	AAA
Municipal bonds	475	--	AA
Municipal bonds	232	--	AA+
Municipal bonds	47	--	AA-
	<u>27,795</u>		

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

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**2. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

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

The following shows investments in issuers that represents 5% or more of the total investments at June 30, 2024:

iShares S&P 500 Growth ETF	6.51%
United States Treasuries	6.92%
William Blair Large Cap Growth	8.48%

**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, 2024, 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, 2024 and 2023.

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**3. FAIR VALUE MEASUREMENTS (CONTINUED)**

**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.

**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, 2024 and 2023 (in thousands):

	2024	Level 1	Level 2	Total	Measured at NAV
ASSETS:					
Cash and equivalents:					
Money market fund shares		\$ 8,406		\$ 8,406	
Investments:					
Certificates of deposit		198		198	
Fixed Income Investments:					
US Treasury notes		7,280		7,280	
Corporate bonds			\$ 9,785	9,785	
Government agency		145		145	
Municipal bonds		1,981		1,981	
Mutual fund bond funds		7,504		7,504	
Exchange Traded Funds		17,675		17,675	
Equity Mutual Funds		45,194		45,194	
Common Stocks		14,738		14,738	
Hedge Funds					\$ 632
Total Assets at Fair Value		<u>\$103,121</u>	<u>\$ 9,785</u>	<u>\$ 112,906</u>	<u>\$ 632</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**3. FAIR VALUE MEASUREMENTS (CONTINUED)**

	2023	Level 1	Level 2	Total	Measured at NAV
<b>ASSETS:</b>					
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

**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, 2024 and 2023:

Instrument	Fair Value (In thousands)		Unfunded Commitments (In thousands)	Redemption Frequency (if currently eligible)	Redemption Notice Period
	2024	2023			
Hedge fund (a)	\$ 0	\$ 21	N/A	Daily	One day
Hedge fund (b)	<u>632</u>	<u>726</u>	\$216	Not allowed during 10 yr. investment term	N/A
Total Hedge Funds	<u>\$632</u>	<u>\$747</u>			

- (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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

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**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 6.80% to 8.71%, 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, 2024 and 2023, the majority of INvestEd's FFELP loans were guaranteed by the Pennsylvania Higher Education Assistance Agency (62% as of June 30, 2024), California Student Aid Commission/EDFund (18% as of June 30, 2024), and Educational Credit Management Corporation (15% as of June 30, 2024).

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 4.61% to 12.45%, depending on the type of private loan and date the loan was made. Private refinance loans earn interest at various rates ranging from 5.42% to 12.38% 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, 2024 and 2023, consisted of the following:

	<b>2024</b>	<b>2023</b>
	<b>(In thousands)</b>	
Federal Family Education Loan Program	\$ 34,500	\$ 46,138
Private loan programs	81,446	72,046
Less – allowance for loan losses	<u>(3,417)</u>	<u>(3,114)</u>
End of year	<u>\$112,529</u>	<u>\$115,070</u>
Current portion	<u>\$ 10,319</u>	<u>\$ 9,045</u>
Long-term portion \$	<u>\$102,210</u>	<u>\$106,025</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**


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**4. STUDENT LOANS RECEIVABLE - NET (CONTINUED)**

The activity for the allowance for loan losses for the years ended June 30, 2024 and 2023, is as follows:

	<b>2024</b>	<b>2023</b>
	<b>(In thousands)</b>	
Beginning of year	\$ 3,114	\$3,457
Provision for loan losses	1,480	179
Recoveries	52	79
Write-offs of loans	<u>(1,229)</u>	<u>(601)</u>
End of year	<u><u>\$ 3,417</u></u>	<u><u>\$3,114</u></u>

**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.

	<b>2024</b>	<b>2023</b>
	<b>(In thousands)</b>	
Income share agreements	\$ 8,139	\$2,392
Less – allowance for loan losses	<u>(1,628)</u>	<u>(362)</u>
End of year	<u><u>\$ 6,511</u></u>	<u><u>\$2,030</u></u>
Current portion	<u><u>\$ 186</u></u>	<u><u>\$ 252</u></u>
Long-term portion \$	<u><u>\$ 6,325</u></u>	<u><u>\$1,778</u></u>

The activity for the allowance for loan losses for the year ended June 30, 2024 is as follows:

	<b>2024</b>	<b>2023</b>
	<b>(In thousands)</b>	
Beginning of year	\$ 362	\$ 65
Provision for loan losses	1,415	414
Write-offs of loans	<u>(149)</u>	<u>(117)</u>
End of year	<u><u>\$1,628</u></u>	<u><u>\$ 362</u></u>



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**


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**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 \$613,600 as of June 30, 2024.

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 as of June 30, 2024. InvestEd has received interest payments in the amount of \$638,680 as of June 30, 2024.

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 12<sup>th</sup> 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 commitment as of June 30, 2023. INvestEd has received returned capital in the amount of \$118,891 as of June 30, 2024.

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, 2024 and 2023, (in thousands) were as follows:

	2023	Additions	Retirements	2024
Depreciable capital assets:				
Furniture and equipment	\$ 351	\$ 236	\$ 115	\$ 472
Leasehold improvements	112	41	111	42
Total depreciable capital assets	463	277	226	514
Less accumulated depreciation	403	29	225	207
Net depreciable capital assets	<u>\$ 60</u>	<u>\$ 248</u>	<u>\$ 1</u>	<u>\$ 307</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**
**7. CAPITAL ASSETS (CONTINUED)**

	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	<u>\$ 36</u>	<u>\$ 25</u>	<u>\$ 1</u>	<u>\$ 60</u>

**8. NOTES AND BONDS PAYABLE AND LINES OF CREDIT**

Notes payable and bonds payable as of June 30, 2024 and 2023 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, 2024. 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, 2024 and 2023 (in thousands):

	2023	Additions	Reductions	2024	Due in 1 Year
Notes and bonds payable, net	\$ 70,888	\$ 0	\$ (18,409)	\$ 52,479	\$ 10,078
ONB line of credit	2,188	11,500	(1,000)	12,688	
	<u>\$ 73,076</u>	<u>\$ 11,500</u>	<u>\$ (19,409)</u>	<u>\$ 65,167</u>	<u>\$ 10,078</u>
	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)	0	
ONB line of credit		2,188		2,188	
	<u>\$ 76,505</u>	<u>\$ 34,190</u>	<u>\$ (37,619)</u>	<u>\$ 73,076</u>	<u>\$ 10,728</u>

Notes and bonds payable at June 30, 2024 include \$28,987,000 of taxable LIBOR FRNs less an unamortized bond discount of \$53,000 and \$22,800,000 of tax-exempt student loan revenue bonds plus an unamortized premium bond discount of \$745,000. Notes payable at June 30, 2023 included \$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. The FRNs mature on February 25, 2044. Interest on the FRNs ranged from 5.41% to 5.95% and 2.42% to 5.94% during the years ended June 30, 2024 and 2023, respectively. The interest rate will be based on one-month term SOFR plus a spread of 0.11448% on a set determination date which is the second business day immediately preceding each Distribution Date. Interest is paid on the Distribution Date which is the 25<sup>th</sup> 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. Principal payments are required to be made monthly based on available funds less required fees and transfers as stipulated in the note documents.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

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**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.

The margin line of credit had borrowings of \$0 at June 30, 2024 and 2023, 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 \$4,950,334 as of June 30, 2024. Borrowings are due on demand.

The First Merchants Bank line of credit was paid in full and closed effective June 15, 2023.

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 net borrowings of \$10,500,000 during June 30, 2024 with an ending balance of \$12,688,000 as of June 30, 2024. This line of credit matures June 15, 2025. The interest rate on the line as of June 30, 2024, was 7.178% 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.

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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**


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**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, 2024 (in thousands), based on INvestEd's best estimate of expected available future cash flows as stipulated in the note documents:

2025	\$ 7,818	\$ 1,379	\$ 9,197
2026	6,656	911	7,567
2027	5,642	573	6,215
2028	4,881	284	5,165
2029	3,990	88	4,078
2030-2034			-
Total	<u>28,987</u>	<u>3,235</u>	<u>32,222</u>
Discount	<u>(53)</u>		<u>(53)</u>
Notes payable, net	<u>\$ 28,934</u>	<u>\$ 3,235</u>	<u>\$ 32,169</u>

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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**


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**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, 2024 (in thousands), based on INvestEd's best estimate of expected available future cash flows as stipulated in the bond documents:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,090	\$ 1,112	\$ 3,202
2026	3,000	1,003	4,003
2027	3,500	851	4,351
2028	3,100	678	3,778
2029	2,725	525	3,250
2030-2034	4,970	1,118	6,088
2035-2039	3,415	753	4,168
Total	22,800	6,040	28,840
Premium	745		745
Bond Payable, Net	<u>\$ 23,545</u>	<u>\$ 6,040</u>	<u>\$ 29,585</u>

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 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**


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**9. RETIREMENT PLANS (CONTINUED)**

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 2024 and 2023 were approximately \$92,000 and \$81,000, 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%. One lease had a term which ended effective July 2024. A new building lease was entered into with terms ending June 2033.

At June 30, 2024 and 2023, total right-of-use assets and lease liabilities, including classification in the statements of net position, were as follows (in thousands):

	<b>2024</b>	<b>2023</b>
Lease assets:		
Right of use asset	\$784	\$325
Accumulated amortization	<u>(24)</u>	<u>(211)</u>
Right of use asset, net	<u>\$760</u>	<u>\$114</u>
Lease liabilities:		
Current portion	\$ 96	\$105
Non-current portion	<u>726</u>	<u>20</u>
Total	<u>\$822</u>	<u>\$125</u>
Total lease costs:		
Amortization of right of use asset	\$129	\$105
Interest on lease liabilities	<u>22</u>	<u>15</u>
Total	<u>\$151</u>	<u>\$120</u>

Future minimum required payments under this lease at June 30, 2024, were as follows:

<b>Year Ending June 30,</b>	<b>Rental Payments (in Thousands)</b>
2025	\$ 26
2026	156
2027	159
2028	163
2029	166
Thereafter	<u>489</u>
	<u>\$ 1,159</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

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**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**



*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, 2024, and the related notes to the financial statements, which collectively comprise INvestEd's basic financial statements, and have issued our report thereon dated October 17, 2024.

**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.

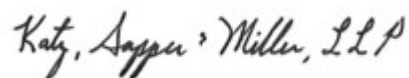
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## 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.

Handwritten signature of Katz, Sapper & Miller, LLP in cursive script.

Indianapolis, Indiana  
October 17, 2024