SOUTH CAROLINA
STUDENT LOAN CORPORATION

CONSOLIDATED FINANCIAL
AND COMPLIANCE REPORT

JUNE 30, 2012

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONTENTS
YEAR ENDED JUNE 30, 2012

DERRICK STUBBS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Carolina Student Loan Corporation
Columbia, South Carolina

We have audited the accompanying consolidated statement of financial position of South Carolina Student Loan Corporation as of June 30, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2011 financial statements and, in our report dated September 6, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Student Loan Corporation as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2012, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of South Carolina Student Loan Corporation, taken as a whole. The accompanying supplementary information on pages 24 - 30 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Derrick, Stubbs + Stith, LLP

Columbia, South Carolina
November 28, 2012

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(WITH COMPARATIVE AMOUNTS FOR 2011)

	2012			2011 Totals
	Unrestricted	**Temporarily Restricted**	**Total**	Memorandum Only
ASSETS				
Current Assets				
Cash and cash equivalents	**$ 72,365,308**	**$ 137,700,648**	**$ 210,065,956**	$ 263,569,319
Investments	**55,553,494**	**-**	**55,553,494**	44,955,270
Investment in campus partners	**1,206,531**	**-**	**1,206,531**	-
Current portion of student loan receivables	**4,758,603**	**281,043,605**	**285,802,208**	246,106,817
Interest due from borrowers	**1,078,057**	**64,647,902**	**65,725,959**	81,040,449
Accounts receivable	**113,236**	**-**	**113,236**	-
Due from SC State Education Assistance Authority	**2,572,002**	**23,081,984**	**25,653,986**	15,261,063
Accrued investment income	**66,346**	**60,848**	**127,194**	88,466
Prepaid expenses	**59,052**	**52,087**	**111,139**	20,693
Due from (to) other funds	**888,819**	**(888,819)**	**-**	-
Total current assets	**138,661,448**	**505,698,255**	**644,359,703**	651,042,077
Long-Term Receivables and Other Assets				
Other student loan receivables less current portion and net of allowance for loan loss of $ 27,679,234	**56,070,802**	**2,686,232,275**	**2,742,303,077**	3,063,721,634
Teacher loans receivable - less allowance for teacher loan cancellations of $ 13,622,386 and current portion	**-**	**24,426,199**	**24,426,199**	23,786,948
Overfunded defined benefit plan	**-**	**-**	**-**	799,029
Deferred cost of issuance of debt	**-**	**8,728,028**	**8,728,028**	10,298,734
Due from (to) other funds	**20,942,464**	**(20,942,464)**	**-**	-
Total long-term receivables and other assets	**77,013,266**	**2,698,444,038**	**2,775,457,304**	3,098,606,345
Property and Equipment				
Land	**929,900**	**-**	**929,900**	565,000
Building	**6,484,448**	**-**	**6,484,448**	2,615,778
Furniture and equipment	**2,782,439**	**-**	**2,782,439**	2,250,612
Automobiles	**73,563**	**-**	**73,563**	73,563
Less, accumulated depreciation	**(2,668,577)**	**-**	**(2,668,577)**	(2,457,406)
Net property and equipment	**7,601,773**	**-**	**7,601,773**	3,047,547
Total assets	**$ 223,276,487**	**$ 3,204,142,293**	**$ 3,427,418,780**	$ 3,752,695,969

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(WITH COMPARATIVE AMOUNTS FOR 2011)

	2012			2011 Totals Memorandum Only
	Unrestricted	**Temporarily Restricted**	**Total**	
LIABILITIES AND NET ASSETS				
Current Liabilities				
Current portion of notes payable - finance loans	$ -	$ 5,642,108	$ 5,642,108	$ 3,350,783
Current maturities of bonds payable	-	408,152,180	408,152,180	270,573,484
Interest payable	-	3,217,329	3,217,329	2,976,120
Accounts payable	1,856,575	64,239	1,920,814	1,728,443
Deferred revenue	1,585,712	502,831	2,088,543	312,831
Teacher loan liability	-	397,498	397,498	281,818
Accrued pension payable	2,245,072	-	2,245,072	287,908
Compensated absences	1,450,532	-	1,450,532	1,116,184
Due to SC State Education Assistance Authority	-	851,326	851,326	891,195
Due to United States Department of Education	212,671	12,009,516	12,222,187	12,878,884
Total current liabilities	7,350,562	430,837,027	438,187,589	294,397,650
Noncurrent Liabilities				
Bonds payable less, current maturities	-	2,108,510,445	2,108,510,445	2,566,143,157
Less, bond discounts	-	11,703,244	11,703,244	13,430,743
Net bonds payable less, current maturities and bond discounts	-	2,096,807,201	2,096,807,201	2,552,712,414
Due to SC State Education Assistance Authority	-	39,835,008	39,835,008	39,835,008
Notes payable - finance loans less, current maturities	-	62,834,810	62,834,810	52,728,561
Other notes payable	-	307,316,715	307,316,715	346,755,420
Total noncurrent liabilities	-	2,506,793,734	2,506,793,734	2,992,031,403
Total liabilities	7,350,562	2,937,630,761	2,944,981,323	3,286,429,053
Net Assets				
Temporarily Restricted				
For bond indentures - current debt service	-	16,799,784	16,799,784	80,407,508
For bond indentures	-	208,228,417	208,228,417	158,207,488
For teacher loans		41,483,331	41,483,331	38,793,219
Total temporarily restricted	-	266,511,532	266,511,532	277,408,215
Unrestricted				
Board designated	100,000	-	100,000	100,000
Undesignated	215,825,924	-	215,825,924	188,758,701
Total unrestricted	215,925,924	-	215,925,924	188,858,701
Total net assets	215,925,924	266,511,532	482,437,456	466,266,916
Total liabilities and net assets	$ 223,276,486	$ 3,204,142,293	$ 3,427,418,779	$ 3,752,695,969

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE AMOUNTS FOR 2011)

	2012			2011 Totals Memorandum Only
	Unrestricted	**Restricted**	**Total**	
Revenue				
Income from United States Department of Education				
Student loan interest - subsidized	**$ 118,946**	**$ 22,159,757**	**$ 22,278,703**	$ 31,921,385
Special allowances	**(731,816)**	**(71,296,976)**	**(72,028,792)**	(83,926,393)
Student loan interest - non-subsidized	**1,823,865**	**145,241,296**	**147,065,161**	156,119,399
Investment income	**154,552**	**590,709**	**745,261**	921,135
Unrealized gain (loss) on investments	**24,663**	**8,810**	**33,473**	686,663
Late charges	**30,313**	**2,152,010**	**2,182,323**	1,967,712
Miscellaneous payments of student loans	**(86)**	**(9,761)**	**(9,847)**	(5,972)
Gain on sale of loans	**-**	**-**	**-**	16,993,654
Miscellaneous income	**-**	**459,118**	**459,118**	(2,056)
State appropriations - Department of Education	**-**	**4,835,042**	**4,835,042**	4,784,029
Remittance from SC State Education Assistance Authority for operating cost	**643,034**	**-**	**643,034**	3,085,125
Other	**252,077**	**-**	**252,077**	195,355
Net assets released from restrictions	**115,036,688**	**(115,036,688)**	**-**	-
Total revenue	**117,352,236**	**(10,896,683)**	**106,455,553**	132,740,036
Expenses				
Personnel	**6,924,401**	**-**	**6,924,401**	6,251,001
Contractual services	**1,416,030**	**-**	**1,416,030**	1,977,291
General operating	**2,558,443**	**-**	**2,558,443**	2,028,491
Interest on debt	**32,534,496**	**-**	**32,534,496**	30,395,918
TLP cancellations	**5,063,394**	**-**	**5,063,394**	2,967,266
Amortization of deferred cost of bond issuance	**3,123,701**	**-**	**3,123,701**	1,677,428
Payments to SC State Education Assistance Authority for student loan income	**4,220,150**	**-**	**4,220,150**	5,250,299
Loan fees	**11,660,124**	**-**	**11,660,124**	12,306,588
Reinsurance expense	**1,263,470**	**-**	**1,263,470**	878,426
Borrower incentives	**6,005,741**	**-**	**6,005,741**	5,749,498
Broker dealer fees	**399,326**	**-**	**399,326**	390,362
Building expenses	**1,075,388**	**-**	**1,075,388**	621,273
Loan loss expense	**9,207,469**	**-**	**9,207,469**	6,779,987
Campus Partners valuation expense	**2,282,692**	**-**	**2,282,692**	-
Other	**493,937**	**-**	**493,937**	520,070
Total expenses	**88,228,762**	**-**	**88,228,762**	77,793,898
Employee Benefits - Related Changes Other Than Net Periodic Pension Cost	**(2,056,251)**	**-**	**(2,056,251)**	1,189,329
Change in net assets	**27,067,223**	**(10,896,683)**	**16,170,540**	56,135,467
Net Assets				
Beginning	**188,858,701**	**277,408,215**	**466,266,916**	410,131,449
Ending	**$ 215,925,924**	**$ 266,511,532**	**$ 482,437,456**	$ 466,266,916

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE AMOUNTS FOR 2011)

	2012			2011
	Unrestricted	**Temporarily Restricted**	**Total**	Totals Memorandum Only
Cash Flows from Operating Activities				
Change in net assets	**$ 27,067,223**	**$ (10,896,683)**	**$ 16,170,540**	$ 56,135,467
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Depreciation	**301,427**	**-**	**301,427**	200,811
Unrealized gain (loss) on investments	**(24,663)**	**-**	**(24,663)**	(686,663)
Write down in Campus Partners	**2,282,692**	**-**	**2,282,692**	-
Impairment of building	**490,000**	**-**	**490,000**	219,970
Amortization of premiums and discounts on bonds payable	**-**	**1,727,498**	**1,727,498**	1,268,352
Amortization of cost of debt issuance	**-**	**1,570,705**	**1,570,705**	1,168,016
Allowance for loan loss	**1,202,850**	**8,004,619**	**9,207,469**	6,575,487
Changes in operating assets and liabilities				
Decrease in due from Department of Education	**126,206**	**(782,903)**	**(656,697)**	2,161,221
(Increase) decrease in due from SCSEAA	**(1,877,748)**	**(8,515,176)**	**(10,392,924)**	44,421,749
(Increase) decrease in interest due from borrowers	**(366,879)**	**15,681,369**	**15,314,490**	20,715,944
(Increase) decrease in accounts receivable	**(113,237)**	**-**	**(113,237)**	-
(Increase) decrease in accrued investment income	**(36,169)**	**(2,556)**	**(38,725)**	2,269
(Increase) decrease in prepaid expenses	**(69,692)**	**(20,756)**	**(90,448)**	97,169
Increase (decrease) in interest payable	**-**	**241,210**	**241,210**	864,671
Increase (decrease) in accounts payable	**198,042**	**144,458**	**342,500**	127,570
Increase in deferred revenue	**1,585,712**	**39,869**	**1,625,581**	256,141
Increase (decrease) in accrued pension payable	**2,756,193**	**-**	**2,756,193**	(2,083,340)
Increase (decrease) in compensated absences	**334,348**	**-**	**334,348**	453,524
Increase in teacher loan liability	**-**	**115,680**	**115,680**	281,818
Increase (decrease) in due to SCSEAA	**-**	**(39,869)**	**(39,869)**	891,195
Increase (decrease) in due to (from) other funds	**14,763**	**(14,763)**	**-**	-
Net cash provided by operating activities	**33,871,068**	**7,252,702**	**41,123,770**	133,071,371
Cash Flows from Investing Activities				
Purchase of property and equipment	**(5,345,653)**	**-**	**(5,345,653)**	(681,744)
Principal payments on student loans	**12,685,938**	**389,304,619**	**401,990,557**	1,828,137,204
Purchase and issuance of student loans	**(44,454,425)**	**(90,723,075)**	**(135,177,500)**	(1,087,124,905)
Teacher loan cancellations	**-**	**5,063,394**	**5,063,394**	2,967,266
Purchase of investments	**(14,062,784)**	**-**	**(14,062,784)**	(40,214,355)
Net cash provided by (used in) investing activities	**(51,176,924)**	**303,644,938**	**252,468,014**	703,083,466

(Schedule Continued on Page 6)

See notes to financial statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE AMOUNTS FOR 2011)

	2012			2011
	Unrestricted	**Temporarily Restricted**	**Total**	Totals Memorandum Only
(Schedule Continued from Page 5)				
Cash Flows from Financing Activities				
Proceeds from financing loans	**$ -**	**$ 19,580,364**	**$ 19,580,364**	$ 15,954,631
Payments on financing loans	**-**	**(7,182,790)**	**(7,182,790)**	(795,625,032)
Proceeds from lines of credit	**-**	**-**	**-**	188,411
Payments on lines of credit	**-**	**(39,438,705)**	**(39,438,705)**	(760,366,600)
Payments of bonds	**-**	**(320,054,016)**	**(320,054,016)**	920,000,000
Proceeds from other notes payable	**-**	**-**	**-**	(106,746,082)
Payments on other notes payable	**-**	**-**	**-**	(21,572,831)
Payments of debt issuance costs	**-**	**-**	**-**	(5,574,928)
Payments of original issue discount	**-**	**-**	**-**	(9,642,136)
Net cash provided by (used in) financing activities	**-**	**(347,095,147)**	**(347,095,147)**	(763,384,567)
Net increase (decrease) in cash and cash equivalents	**(17,305,856)**	**(36,197,507)**	**(53,503,363)**	72,770,270
Cash and Cash equivalents				
Beginning	**89,671,164**	**173,898,155**	**263,569,319**	190,799,049
Ending	**72,365,308**	**137,700,648**	**210,065,956**	263,569,319
Supplemental Disclosures of Cash Flow Information				
Cash payments for interest	**$ -**	**$ 32,293,287**	**$ 32,293,287**	$ 29,375,304
Disposal of fully depreciated property and equipment	**$ 90,256**	**$ -**	**$ 90,256**	$ -

See notes to financial statements.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting entity: The South Carolina Student Loan Corporation ("Corporation" or "SCSLC") was incorporated November 15, 1973, under the Laws of the State of South Carolina. Its corporate goal is to receive, disburse and administer funds exclusively for educational purposes without pecuniary gain or profit to its members and to aid in the fulfillment of the desire and direction of the People of South Carolina in making loans available to students and parents to attend eligible post secondary institutions. Funds from various sources are administered by the Corporation to achieve this goal.

On January 1, 2011, SCSLC signed an agreement with Performant Financial Services (PFC) to provide debt collection services as a subcontractor for loans held by the U.S. Department of Education (DOE) for which PFC is collecting under a Master Servicing Agreement with the DOE. On April 1, 2011, SCSLC formed EdVantage Corporation (EdV), which is a controlled affiliate of SCSLC for the purpose of providing this subcontractor service. EdVantage continues to provide subcontractor services for PFC and also continues to review options available to it for obtaining a primary Direct Loan Collection Contract Agreement with the DOE at the next date the DOE opens bids for additional primary contractors. This subcontracting with PFC agreement is to terminate upon SCSLC/EdVantage obtaining a primary Direct Loan Collection Contract Agreement with the DOE.

On May 17, 2011, SCSLC entered into a Memorandum of Understanding with the DOE to provide Direct Loan Servicing activities for loans held by the DOE. SCSLC was awarded Authority to Operate (ATO) status on June 25, 2012 from the DOE for a ninety (90) day period. SCSLC was also awarded "go live" status on August 20, 2012 and is projected to begin providing said services on September 13, 2012. These services will be provided under the name EdManage which will be a functional area under SCSLC, but doing business as EdManage.

The Corporation administers the operations of the South Carolina State Education Assistance Authority (Authority). The Authority is a body politic and corporate and a public instrumentality of the State of South Carolina. The Authority is part of the State of South Carolina created by Act No. 433 of the Acts and Joint Resolutions of the General Assembly for the year 1971, now codified as Chapter 115, Title 59 of the Code of Laws of South Carolina, 1976 as amended. The Authority is governed by its members, who under the Act are the members of the State Budget and Control Board (Board). The Board consists of five (5) members by virtue of their position in state government. They are the Governor, Treasurer, Comptroller General, Chairman of Senate Finance Committee and Chairman of South Carolina House of Representatives Ways and Means Committee.

The basic, but not the only, criteria for including a component unit in the reporting entity is the governing body's oversight responsibility for such component unit. Financial accountability is the most important element of oversight responsibility. Neither the Authority nor the Corporation is considered a component unit of the other because each is a legally separate organization and not financially accountable to/for the other.

The accompanying financial statements present the consolidated financial position, results of operations and cash flows of the South Carolina Student Loan Corporation and its controlled affiliate and subsidiary.

Overall operating arrangement: The Authority, as a guaranty agency, has approved the Corporation as an eligible lender to administer the Federal Family Education Loan Program (FFEL). It is the duty of the Corporation to process applications, make student loans and collect principal, interest, fees and penalties on such loans. Loans may or may not be subsidized. Interest is paid on subsidized loans during the enrolled, grace and deferred periods by the United States Department of Education (USDE). Upon entering the repayment period, the interest is paid by the borrower. Effective July 1, 2010, the FFEL program was discontinued and all future federal loans are originated through the Direct Loan program. The Corporation does, however continue to make private student loans.

The Corporation financed both FFEL and private student loans using several sources. One source is the issuance of tax-exempt revenue bonds by the Authority. The Corporation, using the proceeds of these bonds as described in Note 7, makes loans. The Corporation remits proceeds on these loans to the Authority as required by loan agreements.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Overall operating arrangement (continued): The operations of the Authority are administered by employees of the Corporation. The Authority reimburses the Corporation upon request for the actual operating costs and expenses plus reasonable capital costs incurred in accordance with a previously approved budget.

During fiscal 1984-85, the Corporation began administering the Teacher Loan Program (TLP). The TLP is a part of the Education Improvement Act of 1984 passed by the South Carolina General Assembly. The Corporation was named in the Act as the administrator of this program. The funds for operations and for making loans are provided by state appropriations. The intent of the program is to attract, through financial assistance, talented individuals and to encourage them to enter teaching in areas of critical need within the state. Loans are canceled at the greater of a specified dollar amount or 20% to 33 1/3% per year for each year of teaching in a critical subject and/or location. These loans are repaid by the borrower if the borrower does not teach. TLP loans made for academic years before 1994-95 are guaranteed by the Authority. Loans made for academic years 1994-95 or after are non-guaranteed.

During the 1995-96 year, the Corporation began making and servicing alternative loans through the Palmetto Assistance Loan Program (PAL). PAL offered supplemental loans for students and parents of students enrolled at least half-time in an eligible school and for fourth year medical students seeking their residency and relocating. These loans were funded from Corporation accumulated unrestricted net assets and bond funds. The Corporation discontinued offering this PAL loan program in December 2008 due to lack of funds.

During the 2009-2010 year, the Corporation restructured PAL and began marketing the restructured program. The new PAL restricts the offering of loans only to students, parents, or legal guardians of students. The student must be enrolled on at least a half-time basis in a certificate or degree granting program and attending an eligible school in the state of South Carolina, or be a resident of South Carolina and attending an eligible college or university within the United States. These loans are funded by an $ 85,000,000 bond offering issued by the South Carolina State Education Assistance Authority dated October 2, 2009.

The Corporation has entered into other financing agreements to provide additional funding for student loans (See Note 9).

Basis of accounting: These statements are prepared using the accrual method of accounting recognizing income when earned regardless of when received and expenses when incurred regardless of when paid.

Consolidation policy: The consolidated financial statements include the accounts of the Corporation and its controlled affiliate, EdVantage. All material inter-corporation accounts and transactions of the consolidated subsidiary have been eliminated in the consolidation.

Display of net assets by class: The Corporation adheres to the disclosures and display requirements of ASC 958 Not-For-Profit-Entities. ASC 958 establishes standards for external financial reporting by non-profit organizations and requires that resources be classified for accounting and reporting purposes as follows:

Unrestricted net assets: Net assets that are not subject to restrictions. These net assets, including Board designated, are legally unrestricted and can be used in any Corporation activity.

Temporarily restricted net assets: Net assets subject to restrictions that will be met either by actions of the Corporation and/or the passage of time. These net assets are made up of guaranteed student loans and cash from various funding sources.

Permanently restricted net assets: Net assets subject to stipulations that must be maintained permanently by the Corporation. The Corporation does not have any such net assets.

Use of estimates: The preparation of financial statements in conformity 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 disclosures 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.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of reporting cash flows, the Corporation considers all certificates of deposit, regardless of maturity, and Treasury Bills, commercial paper and money market funds with a maturity of three months or less, including those that are classified as restricted assets, to be cash equivalents.

Concentration risk: The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At June 30, 2012, all of the Corporation's cash was held in demand deposit accounts covered by federal depository insurance or by collateral held by the Corporation's agent in the Corporation's name.

Investments: Investments are valued at market value. Realized and unrealized gains and losses on sale of investments are determined based on the cost of investments.

Investment in Educational Loan Services (ELS) d/b/a Campus Partners: The Corporation is accounting for its investment in Educational Loan Services (ELS) d/b/a Campus Partners, a 27.67% owned affiliate, by the equity method of accounting under which the Corporation's share of the net income of the affiliate is recognized as income (loss) in the Corporation's income statement and added to the investment account, and dividends received from Campus Partners are treated as a reduction of the investment account.

Allowance for teacher loan cancellations: The allowance for cancellations on teacher loans represents the Corporation's estimate of teachers who will teach in critical need areas in South Carolina and meet the criteria for annual cancellation of the greater of a specified dollar amount or 20% to 33 1/3% of their loan balances. In making the estimate, the Corporation considers the trend in the loan portfolio and current operating information. The allowance is based on total teacher loans times the expected cancellation rate. The evaluation is inherently subjective and the allowance could significantly change in the future. The allowance was $ 13,622,386 at June 30, 2012. The Corporation maintains $397,498 as a liability at June 30, 2012, for the undisbursed funds from the Teacher Loan Program. The Corporation matches the receipt of the funds from the State of South Carolina with the disbursement of the funds to the teachers who are expected for cancellation.

Provision for losses on student loans: The provision for losses on student loans represents the Corporation's estimate of the costs related to the 2% to 3% risk sharing on FFEL loans and losses related to servicing all guaranteed loans by the Corporation that are not covered by its financings (See Note 5). The Corporation makes no provision of losses on student loans securing any of its financings as all of the borrowings disclosed in Note 6 are nonrecourse to the Corporation. The holders of the Bonds have all the credit risk for student loan losses that occur in each "trust estate". The provision also includes an estimate for non-guaranteed loans. In making the estimate, the Corporation considers the trend in default rates in the loan guarantee portfolio, past and anticipated loss experience, current operating information, and changes in economic conditions. The evaluation is inherently subjective and the provisions may significantly change in the future. Additionally, the Corporation maintains a 100% allowance for all PAL loans past due 180 days or greater. The allowance for loan losses was $ 27,679,234 at June 30, 2012 (see Note 5 on Federal Reinsurance of FFEL loans).

Property and equipment: Property and equipment costing over $ 10,000 is capitalized at cost when purchased. Depreciation has been provided using the straight-line method over useful lives of three to ten years for furniture and equipment, three years for automobiles and computers and thirty-nine years for the building.

Amortization of deferred cost of issuance of bonds and bond premiums and accretion of bond discounts: Cost of issuance of bonds and bond premiums and discounts are being amortized/accreted over the lives of the bond issues on a straight-line basis and are included in operating expenses.

Compensated absences: Annual leave is earned at the rate of 12 to 25 days per year depending on length of employment. Employees are expected to use at least one week (5 consecutive days) each year. Earned, but unused, annual leave will be paid when an employee terminates his/her employment except when this termination is involuntary or inadequate notice is given. Sick leave is earned at the rate of 10 days per year. Employees are not paid for earned, but unused, sick days upon termination of employment.

Income taxes: The Corporation is exempt from federal and state incomes taxes under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the Corporation's tax positions and concluded that the Corporation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Corporation is no longer subject to income tax examination by the U.S. federal, state or local tax authorities for years before 2008.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Comparative amounts: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Note 2. Cash and Cash Equivalents

As of June 30, 2012, cash and cash equivalents include demand deposits and short-term investments with a maturity of three months or less as follows:

	Cost	Market Value
Unrestricted		
South Carolina State Treasurer pool	$ 38,629	$ 38,629
Collateralized demand deposits	72,326,679	72,326,679
Total unrestricted	72,365,308	72,365,308
Temporarily Restricted		
Money market	68,315,756	68,315,756
Repurchase agreements	34,658	34,658
South Carolina State Treasurer pool	12,102,266	12,415,384
Guaranteed investment contracts	56,934,850	56,934,850
Total temporarily restricted	$ 137,387,530	$ 137,700,648

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling $ 12,415,384.

Note 3. Investments

Market value of investments is determined by quoted market values and consists of the following as of June 30, 2012:

	Cost	Market Value
Mutual funds	$ 4,960,896	$ 5,032,586
Money market	5,144,026	5,144,026
Corporate bonds	35,353,033	35,376,582
Federal Government bonds	9,998,551	10,000,300
Total	$ 55,456,506	$ 55,553,494

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position.

Note 4. Amounts Due from/to the Corporation

As of June 30, 2012, the Authority owes the Corporation funds collected on their behalf of $ 25,653,986, which are required to be paid by the tenth of each month. The Corporation owes the Authority funds it contributed to the 2010-1 General Resolution $ 39,835,008 (see Note 6) and $ 851,326 for interest on the 2009 PAL bond.

Note 5. Federal Family Education Loans (FFEL) and Federal Reinsurance of FFEL Loans

In 2012 and 2011, these loans were bearing interest at fixed rates ranging from 2.875 to 12.000 percent or an annual variable rate of 1.76 percent to 3.42 percent. The annual variable rate is reset each July 1 using the bond equivalent rate of the 91-day or 52-week Treasury Bill, determined at the final auction held prior to the immediately preceding
June 1, plus 1.7 percent to 3.25 percent with a cap on the rate of 8.25 percent to 12 percent. The repayment period for these loans is five (5) to thirty (30) years with a minimum payment of $ 360 or $ 600 per year. Repayment of principal may be scheduled to begin within sixty (60) days of final disbursement or six (6) to ten (10) months after the student graduates or ceases to be enrolled on at least a half-time basis in an eligible institution.

Loans are insured against death, disability and default by the Authority at 97% to 100% and are reinsured by the U.S. Department of Education up to 100% for loans made prior to October 1, 1993; up to 98% for loans made on or after October 1, 1993 but on or before June 30, 2006; and 97% for loans made on or after July 1, 2006. Total loans insured by the Authority at June 30, 2012, are $ 2,735,486,355.

Loans may or may not be subsidized. Interest is paid on subsidized loans during the enrolled, grace and deferred periods by the U. S. Department of Education. Upon entering the repayment period, the interest is paid by the borrower.

The origination fee for Stafford loans was 3% for loans first disbursed on or before June 30, 2006. It decreased to 2% on July 1, 2006; to 1.50% on July 1, 2007; 1% on July 1, 2008; and 0.50% on July 1, 2009. The origination fee for Stafford Loans was eliminated as of July 1, 2010. The origination fee for PLUS loans remained at 3% through June 30, 2010. This fee is no longer paid after July 1, 2010, due to the SCSLC no longer issuing FFEL loans.

The Health Care and Education Reconciliation Act of 2010 (HCRA) was signed into law on March 30, 2010, requiring that all new federal student loans be originated through the Federal Direct Loan program as of July 1, 2010. The Corporation's ability to originate FFEL loans terminated on June 30, 2010. As a result, the Corporation's servicing revenues were reduced during the year as the aggregate loan portfolio being serviced by the Corporation began to decline. Additionally, since the FFEL loan program was the major component of the Corporations lending activity, it is expected that the future asset growth and related earnings on that portion of the asset growth will be impacted. The Corporation is currently evaluating the potential impact to its future revenue stream and is also currently exploring alternative revenue sources. Since the legislation is in its infancy, the potential impact cannot yet be reasonably predicted.

Note 6. Bonds Payable

The Corporation issued bonds for the first time in the year ended June 30, 1997. All of the Corporation's bonds and notes are secured only by loans funded by bond proceeds or otherwise pledged, related revenue from such loans, investments and earnings on investments in related accounts and by a debt service reserve funded from bond proceeds. The Corporation's bonds and notes are each secured by assets held by a trustee in one of four trust estates governed by the applicable general resolution and other bond documents. The bond documents require the Corporation to accumulate collections from borrowers to pay principal and interest on bonds. The bonds and notes do not constitute a debt, liability or obligation of the State of South Carolina or any agency thereof but are limited obligations of the Corporation.

The debt service funds in the applicable general resolution contain assets equal to the interest and principal accumulated to make the next payments of principal and interest due. As of June 30, 2012, the Corporation held funds on deposit in the debt service funds of $ 17,304,020.

Notes to Consolidated Financial Statements

Note 6. Bonds Payable (Continued)

The bonds outstanding as of June 30, 2012, are as follows:

Issued	Original Amount	Maturity Date	Balance Outstanding 06/30/11	Issued (Retired) During FY 12	Balance Outstanding 06/30/12
11/10/04	$ 180,000,000	6/1/2034	$ 146,400,000	$ (4,850,000)	$ 141,550,000
7/19/05	700,000,000	12/3/18 - 12/1/23	700,000,000	(134,650,000)	565,350,000
7/11/06	500,000,000	12/2/19 - 12/1/22	500,000,000	(33,785,000)	466,215,000
10/25/06	182,000,000	9/4/2046	145,650,000	(9,700,000)	135,950,000
6/25/08	600,000,000	9/2/14 - 9/3/24	453,876,071	(63,292,810)	390,583,261
11/30/10	920,000,000	1/25/21 - 10/27/36	890,790,570	(73,776,206)	817,014,364
			$ 2,836,716,641	$ (320,054,016)	$ 2,516,662,625

LIBOR Indexed Bonds Secured by 1996 General Resolution

The Corporation's LIBOR Indexed Bonds in the 1996 General Resolution totaled $1,031,565,000 as of June 30, 2012, and have variable interest rates equal to three-month LIBOR plus 0.09% to 0.14%, as adjusted quarterly. Throughout the year ended June 30, 2012, none of the rates exceeded 0.60685%. Future interest payment projections are based upon the seven-year weighted average rate at June 30, 2012, which was 1.951%.

The LIBOR Indexed Bonds are subject to pro rata principal reduction payments prior to maturity based on targeted amortization schedules. The current liability disclosed on the balance sheet as of June 30, 2012, of $ 254,516,000 is based on this targeted amortization; however, based on the estimated current assets of $ 99,648,000 for the same period, the Corporation will probably not be able to meet those targeted liabilities. Failure by the Corporation to make any such payment contemplated by an applicable Targeted Amortization Schedule for the LIBOR Indexed Bonds under the 1996 General Resolution does not constitute a payment default. The Corporation intends to follow these payment schedules with respect to these bonds, to the extent allowed by available funds after payment of required obligations during the targeted period.

Auction Rate Securities Secured by 2004 General Resolution

The Corporation’s auction rate securities (ARS) totaled $ 277,500,000 as of June 30, 2012, and have variable interest rates determined by auctions every 28 days. These ARS first failed in February 2008, and have been in a failed mode since that time. The payment of principal and interest on the ARS, when due, is insured by Ambac Assurance Corporation. The interest rates are subject to a maximum of the lesser of (i) a nominal cap of 17% or 20%, depending on the series, or (ii) one-month LIBOR plus 1.50% to LIBOR plus 2.50%, depending on the then-current rating of the ARS. The ARS are subject to redemption in whole or in part at par plus accrued interest on the first day of any auction period.

Due to adverse market conditions, most auctions associated with ARS across a variety of sectors and asset classes have experienced widespread failure since February 11, 2008. All of the Corporation's auctions have failed since this date, and the interest rates have been set at the applicable maximum rates. This has had the effect of increasing the Corporation’s relative cost of funds. Although the Corporation has no requirement to refinance its ARS, the Corporation was able to successfully refinance $ 275,000,000 of ARS as part of the 2008-1 Series transaction. The Corporation is considering several refinancing options for the remainder of its outstanding ARS.

Note 6. Bonds Payable (Continued)

LIBOR Notes Secured by 2008-1 General Resolution

On June 25, 2008, the Corporation issued $ 600,000,000 of Student Loan Backed Notes, 2008-1 Series, with variable interest rates ranging from three-month LIBOR plus 0.50% to LIBOR plus 1%. Proceeds of the issue were used to (i) finance student loans, (ii) refinance certain prior bonds, (iii) fund the Debt Service Reserve Fund, (iv) fund the Operating Fund, (v) fund the Department Reserve Fund and (vi) pay cost of issuance.

Principal and interest on the LIBOR Notes are to be paid on each Distribution Date (the first business day of each March, June, September, and December beginning September 2008). Principal will be paid first on the A-1 Notes until paid in full, second on the A-2 Notes until paid in full, third on the A-3 Notes until paid in full and fourth on the A-4 Notes until paid in full. The LIBOR Notes issued under the 2008-1 General Resolution are subject to optional redemption on the Distribution Date immediately following the date when the Pool Balance is 10% or less of the Initial Pool Balance. The LIBOR Notes Secured by 2008-1 General Resolution balance as of June 30, 2012, was $ 390,583,261.

LIBOR Notes Secured by the 2010-1 General Resolution

On November 30, 2010, the Corporation issued $ 920,000,000 of Student Loan Backed Notes, 2010-1 Series, with variable interest rates ranging from three-month LIBOR plus 0.45% to three-month LIBOR plus 1.05%. Proceeds of the issue were used to (i) refinance the Corporation's credit facility with the Royal Bank of Canada, (ii) refinance prior indebtedness of the South Carolina State Education Assistance Authority, consisting of Auction Rate Securities issued under the Authority's 2002 General Resolution, (iii) fund the Debt Service Reserve Fund, (iv) fund the Capitalized Interest Fund, and (v) pay cost of issuance.

The Corporation transferred unencumbered FFELP loans of the Authority in the amount of $ 39,835,008 and unencumbered loans of the Corporation of $ 20,942,464 principal and interest to provide additional equity to the bond offering by increasing the parity of the bonds. The funds from both the Corporation and the Authority were provided through a Residual Trust Agreement which allows for all remaining loans of the Trust to be shared between the Corporation and the Authority on a prorata basis, based on the percentage (%) contribution made by each entity once all bonds have been redeemed.

The Corporation entered into an agreement with Nelnet (currently one of the four approved TIVAS for servicing of DL Loans for DOE) to provide backup servicing in the event of the failure of the current servicer to provide those services. As a result, the Corporation provides Nelnet a data file of the loans securing the Trust on a quarterly calendar basis.

Principal and interest on the LIBOR notes is to be paid on each Distribution Date (the twenty-fifth day of each January, April, July, and October, or the next business day if such day is not a business day). Principal will be paid first on the A-1 Notes until paid in full, second on the A-2 Notes until paid in full, and third on the A-3 Notes until paid in full. The Notes are subject to optional redemption on the next Distribution Date occurring when the Pool Balance is 10% or less of the Initial Pool Balance. The balance of the Notes as of June 30, 2012, was $ 817,014,364.

Notes to Consolidated Financial Statements

Note 6. Bonds Payable (Continued)

Projected Debt Service

As of June 30, 2012, the scheduled debt service to retire the bonds and notes of the Corporation is as follows:

	Principal	Interest	Totals
2013	$ 254,516,000	$ 48,385,901	$ 302,901,901
2014	204,385,000	43,661,607	248,046,607
2015	169,889,000	39,947,909	209,836,909
2016	148,153,000	36,676,147	184,829,147
2017	120,491,000	33,986,284	154,477,284
2018	324,353,071	30,622,420	354,975,491
2019	29,654,000	25,695,958	55,349,958
2020	116,000,000	24,921,040	140,921,040
2021	262,790,570	21,892,674	284,683,244
2022	-	17,983,841	17,983,841
2023	-	17,983,841	17,983,841
2024	-	17,983,841	17,983,841
2025	54,707,190	17,170,108	71,877,298
2026	403,000,000	10,904,511	413,904,511
2027	-	8,906,393	8,906,393
2028	-	8,906,393	8,906,393
2029	-	8,906,393	8,906,393
2030	-	8,906,393	8,906,393
2031	-	8,906,393	8,906,393
2032	-	8,906,393	8,906,393
2033	-	8,906,393	8,906,393
2034	141,550,000	8,906,393	150,456,393
2035	-	5,893,160	5,893,160
2036	-	5,893,160	5,893,160
2037	151,223,794	4,393,592	155,617,386
2038	-	2,894,024	2,894,024
2039	-	2,894,024	2,894,024
2040	-	2,894,024	2,894,024
2041	-	2,894,024	2,894,024
2042	-	2,894,024	2,894,024
2043	-	2,894,024	2,894,024
2044	-	2,894,024	2,894,024
2045	-	2,894,024	2,894,024
2046	-	2,894,024	2,894,024
2047	135,950,000	723,506	136,673,506
Totals	$ 2,516,662,625	$ 502,016,860	$ 3,018,679,485

The weighted average interest rate used for future interest payment projections was 1.951%. An additional 0.150% was added to this rate when calculating the 2004 Resolution, in order to account for Broker Dealer Fees. This estimate is inherently subjective and the rate may change significantly in the future.

As outlined in the 2004 General Resolution, the 2008-1 General Resolution and the 2010-1 General Resolution, the Corporation is making either optional redemption payments or principal distributions to pay down the bonds when they receive excess revenues from the student loan receivables. At June 30, 2012, the Corporation estimated they would make optional redemption or principal distribution payments for the next year in the amount of $ 145,000,000.

Notes to Consolidated Financial Statements

Note 7. Notes Payable - Finance Loans

Each bond resolution of the Authority requires that all funds advanced to SCSLC by the Authority for the purpose of making student loans be evidenced by a loan agreement, assignment of collateral and assignment of revenues between the two parties, with the student loans providing security to the bond trustee. Advances to the Corporation from the Authority's 2009 PAL General Resolution are made pursuant to a loan agreement dated October 29, 2009. Since the Bonds for the 2009 PAL were issued after the peak Student Loan Funding period, the Corporation was only able to finance new student loans of approximately $ 40,000,000, while the bonds outstanding were $ 85,000,000. Due to market conditions during the 2009-2010 fiscal year and restrictions on types of investment instruments available to the Authority, interest earned on its investments from the excess funds received from the bond issuance, was less than the interest expense of the bonds. The terms of the note agreement between SCSLC and the Authority, as a result of the 2009 PAL General Resolution, require the Corporation reimburse the Authority for the difference between the interest earned and the interest expense. The Corporation was aware of this situation at the time of issuance of the bonds, but expected loan activity during the 2010-2011 school year would be sufficient to allow it to recover from this situation in the near term. As a result of the Corporation reimbursing the Authority for the negative spread on interest during fiscal 2010, the Corporation realized a loss for the year in the 2009 PAL Resolution and ended the year with a negative Net Asset Balance. During Fiscal 2011 – 2012, market conditions continued to be suppressed resulting in additional negative spread on interest and a realized loss for the year in the 2009 PAL Resolution. Each loan is calculated as set forth in the respective loan agreements.

The finance loan as of June 30, 2012, and 2011 are as follows:

Bond Resolution	Balance 6/30/2012	Balance 6/30/2011
2009	**$ 68,476,918**	$ 56,079,344

Note 8. Other Notes Payable – Straight-A Funding

On July 7, 2009, the Corporation entered into an agreement with USDE under the Loan Purchase Commitment Program, (commonly known as Conduit, or Straight-A funding) to finance all of the outstanding loans in the 2008-2009 LPP program in addition to $ 155.6 million of outstanding loans issued under the 1993 Resolution for an aggregate amount of $ 372.4 million. The agreement was finalized on July 30, 2009. The Conduit, or Straight-A funding, facility provides liquidity support to eligible student lenders for FFEL Program Stafford and PLUS loans first disbursed by September 2009. In addition to providing financing cost based on market rate, a significant benefit to lenders is that eligible loans are permitted to have borrower benefits. Funding from the Conduit is provided indirectly by the capital markets through the sale to private investors of government back-stopped asset-backed commercial paper. The Corporation received funding equal to 97% of the principal and interest of the pledged student loans through the issuance of a funding note which was purchased by the Conduit. The Funding note matures on June 30, 2015. The commercial paper issued by the Conduit has short-term maturities generally ranging up to 90 days. In the event the commercial paper issued by the Conduit cannot be reissued at maturity and the Conduit does not have sufficient cash to repay investors, the Federal Financing Bank (FFB) has committed to provide short-term liquidity to the Conduit. If the Conduit is not able to issue sufficient commercial paper to repay its investors or liquidity advances from the FFB, the Corporation can either secure alternative financing and repay the Conduit borrowings or sell the pledged student loans to USDE at a predetermined price based on first disbursement date and certain other loan criteria. In addition, if the Corporation does not secure alternative financing to repay the funding note by November 19, 2013, the Corporation must sell the pledged student loans to USDE. If the Corporation were to sell the pledged loans to USDE, it would likely result in a significant loss to the Corporation. As of June 30, 2012, the outstanding balance of this financial instrument was $ 307,316,715. There are no scheduled payments associated with this note, however, the outstanding balance of the note must agree with the supporting outstanding loans each month. As a result, any payments received, or any changes in loan balances must be remitted to the Conduit provider on a monthly basis. The Corporation pays a percentage of all Conduit financing costs. For each period, this percentage is equal to the Corporation's outstanding Funding Note balance, divided by the Funding Note balance of all Issuers. Amounts paid were equivalent to a weighted average rate of 0.76% for fiscal year June 30, 2012 and 0.72% for the year ended June 30, 2011.

Note 9. Special Allowance Income or Expense

As an inducement to the lender to make guaranteed student loans, the USDE pays the Corporation a special allowance on the unpaid principal of the Federal loans which is based on a variable percentage rate. It was instituted to assure the interest rate and other limitations of the Higher Education Act, in the context of the market conditions, would not adversely affect access to student loans or cause the rate of return on student loans to be less than equitable.

For loans disbursed prior to April 1, 2006, lenders are entitled to retain interest income in excess of the special allowance support level in instances when the loan rate exceeds the special allowance support level. However, lenders are not allowed to retain interest income in excess of the special allowance support level on loans disbursed on or after April 1, 2006, and are required to rebate any such excess interest to the federal government on a quarterly basis. This modification effectively limits lenders' returns to the special allowance support level. For the year ended June 30, 2012, the Corporation remitted $ 72,028,792 of interest income in excess of the special allowance support level to the USDE.

Note 10. Employee Benefit Plans

Money Purchase Pension Plan

The Corporation provides retirement benefits through the South Carolina Student Loan Corporation Money Purchase Pension Plan (MPPP) for all employees who have completed one year of service and attained age 21. The MPPP was originally established on July 1, 1975. BB&T is the Trustee of the Plan. This is a defined contribution plan in which the employer contributes 5.6% of the participant's total annual compensation plus 5.6% of compensation exceeding the social security wage base. Contributions are paid monthly. A participant is 20% vested after two years service and 100% vested after six years of service. A participant receives normal retirement at age sixty-five. At termination of employment or reaching normal retirement age, the participant has the right to elect to receive all or any portion of his vested benefit derived from employer contributions. Voluntary contributions are not permitted. Forfeitures under the plan reduce the employer's contribution in the year following the plan year in which the forfeiture occurs. The total retirement expense for 2012 is $ 312,103 and is fully funded.

403(b) Defined Contribution Plan

The South Carolina Student Loan Corporation 403(b) Defined Contribution Plan was established on November 5, 2002, and subsequently amended on January 1, 2009. The plan provides for a 5% contribution by the Corporation based on the participant’s total annual compensation. The total amount contributed under the plan in 2012 was $ 275,088 of which the Authority reimbursed $ 77,025 for its employees. All employees who have completed one year of service and attainment of age 21 are eligible to receive employer contributions. Contributions are 100% vested when made. Employees are eligible to make voluntary contributions to the Plan.

Tax Deferred Annuity

The Corporation established the South Carolina Student Loan Corporation TDA (Tax Deferred Annuity) GSRA (Group Supplemental Retirement Annuity) on January 1, 1995, which was subsequently amended on January 1, 2009. All employees are eligible to participate in the Tax Deferred Annuity upon hire. Employee participation in this plan is voluntary and funded only through employee contributions. Employee contributions are 100% vested immediately with investment of the contributions within the plan being employee self-directed.

457(b) Deferred Compensation Plan

On November 15, 2002 the Corporation established the South Carolina Student Loan Corporation 457(b) Deferred Compensation Plan. Key management employees are eligible to participate in this plan. Employee participation in this plan is voluntary and funded only through employee contributions. Employee contributions are 100% vested immediately with investment of the contributions within the plan being employee self-directed.

Notes to Consolidated Financial Statements

Note 10. Employee Benefit Plans (Continued)

Defined Benefit Pension Plan

The Corporation established the South Carolina Student Loan Defined Benefit Plan (DBP) on July 1, 1998. The defined benefit pension plan covers substantially all employees with a minimum one year of service and 21 years of age. The DBP provides benefits based on the average of a participant's highest five consecutive years of pay. The benefit formula uses one percent of this average pay times years of service not to exceed 30 years. The Corporation pension funding policy is to make at least the minimum annual contribution that is actuarially computed by the projected unit credit method required by the Plan. The following sets forth the benefit obligation, the fair value of plan assets, and the funded status of the Corporation's plan, as well as the amounts recognized in the Corporation's financial statements at June 30, 2012:

	Defined Benefit Plan
Change in benefit obligation:	
Benefit obligation at end of prior plan year	$ (9,995,165)
Service cost	(328,570)
Interest cost	(547,492)
Actuarial gain/(loss)	(2,794,887)
Actual distributions	302,363
Benefit obligation at end of year	(13,363,751)
Change in plan assets:	
Plan assets at fair value at beginning of year	10,794,194
Actual return on plan assets	300,579
Actual employer contributions	600,000
Actual distributions/benefits paid	(302,363)
Plan assets at fair value at end of year	11,392,410
Funded status at end of year	(1,971,341)
Amounts recognized in the balance sheets consists of:	
Current liabilities	(1,971,341)
Amounts recognized in unrestricted net assets consists of the following:	
Unrecognized net actuarial (gain)/loss	5,168,816
Unrecognized prior service cost	(96,135)
Net amount recognized	$ 5,072,681

Actual accrued pension expenses include $ 273,731 of other accrued pension expenses for other plans.

Note 10. Employee Benefit Plans (Continued)

Defined Benefit Pension Plan (Continued)

The following are weighted average assumptions used to determine benefits, obligations and net periodic benefit cost as of June 30, 2012 and 2011. The measurement date of the projected benefits obligation and Plan assets was June 30, 2012.

	Defined Benefit Plan	
	2012	2011
Assumptions Used		
Weighted-average assumptions used in computing ending obligations		
Discount rate	4.00%	5.53%
Rate of compensation increase	4.00%	4.00%
Weighted-average assumptions used in computing net cost		
Discount rate	4.00%	5.37%
Rate of compensation increase	4.00%	4.00%
Expected return on plan assets	7.00%	7.50%

The Corporation's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plans' asset allocation and liability structure over a long-term period. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (1) historical real returns, net of inflation, for the asset classes covered by the investment policy and (2) projections in inflation over the long-term period during which benefits are payable to plan participants.

Components of net periodic benefit cost and employee benefit-related changes other than net periodic pension cost are as follows:

	Defined Benefit Plan
Net Periodic Benefit Cost	
Service cost	$ 328,570
Interest cost	547,492
Expected return on plan assets	(765,317)
Amortization of prior service cost	(26,483)
Amortization of net (gain)/loss	184,266
Net periodic benefit cost	268,528
Administrative expenses	29,909
Net periodic benefit cost	298,437
Corporation's share	214,875
Authority's share	83,562
	298,437

Note 10. Employee Benefit Plans (Continued)

Defined Benefit Pension Plan (Continued)

Employee benefit - related changes other than net periodic pension cost	Defined Benefit Plan
Net (gain)/loss	
Prior service cost	$ 3,259,625
Amortization of prior service cost	26,483
Amortization of net (Gain)/loss	(184,266)
Employee benefit-related changes other than net periodic benefit cost	3,101,842
Corporation's share	2,233,326
Authority's share	868,516
	3,101,842
Total net periodic benefit cost and employee benefit-related changes other than net periodic benefit cost	$ 3,400,279

The net pension (gain) expense for this Defined Benefit Pension Plan totaled $ 3,370,370 plus $ 29,909 of administrative expenses, totaling $ 3,400,279 for the year ended June 30, 2012. The Authority recorded an expense of $ 961,509 and the Corporation recorded an expense $ 2,438,769 to the expense for this Plan for its employees for the year ended June 30, 2011. No participant contributions are permitted by the pension plan.

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $ 644,108 and $ (26,483), respectively.

The accumulated benefit obligation for the defined benefit pension plan was $12,100,486 at June 30, 2012.

Defined Benefit Pension Plan assets include life insurance policies and mutual funds. See target asset allocation below.

The Corporation's target asset allocation as of June 30, 2012, by asset category, is as follows:

Asset Category	
Money market	2%
Equity securities	55%
Debt securities	34%
Insurance policies	9%
Total	100%

The Corporation's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges (shown above) by major asset categories.

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is reviewed quarterly by the Corporation and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner that is compliant at all times with applicable government regulations.

Note 10. Employee Benefit Plans (Continued)

Defined Benefit Pension Plan (Continued)

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system continues to result in substantial volatility in the financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Corporation cannot predict the future impact to the fund value of the investment portfolios.

The Corporation expects to contribute $ 600,000 to its Defined Benefit Plan during 2012-2013

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits
2013	$ 407,800
2014	442,300
2015	507,400
2016	536,300
2017	567,300
Year 2018-2022	3,348,700

Note 11. Rental Property and Operating Leases

The Corporation owns two office buildings and leases approximately 9% of building one and 18% of building two. The Corporation leased office space in building one to four (4) tenants as of June 30, 2012 with lease agreements of varying duration. Certain lease expense is charged to the Authority and EdVantage based on space occupied in building two. Building rental income included in other revenue for fiscal 2012 and 2011 was $ 169,640 and $ 195,355, respectively. Future minimum lease payments are as follows:

2013	$ 31,852
2014	26,868
2015	24,618

Note 12. Disclosures about Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Corporation uses various methods including market, income and cost approaches. Based on these approaches, the Corporation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observables of the inputs used in the valuation techniques, the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Note 12. Disclosures about Fair Value of Financial Instruments (Continued)

Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumption and projections in determining the fair value assigned to such assets or liabilities.

Management uses the following methods and assumption to estimate the fair value of the Corporation's financial instruments.

Cash and cash equivalents' carrying amounts approximate fair value because of the short maturity of those instruments. The fair value of the investments is based on quoted market rates. Student loan receivables' carrying value approximates fair value based on like sale of student loans within the industry. In 2011, the Corporation sold a portion of its loans from the FFEL program. Debt instrument's carrying value also approximates fair value based on the prices for the same or similar debt issues and on current rates offered to the Corporation for debt of the same remaining maturities with similar collateral requirements.

	Carrying Value	Estimated Fair Value
Financial Assets		
Cash and cash equivalents	$ 210,065,956	$ 210,065,956
Investments	56,760,025	56,760,025
Student loan receivables		
FFEL	2,688,227,184	2,688,227,184
Alternative and other	364,304,299	364,304,299
Financial Liabilities		
Notes payable	$ 375,793,633	$ 375,793,633
Bonds payable	2,516,662,625	2,516,662,625

		Fair Value Measurements at Reporting Date Using		
Description	**6/30/2012**	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash and cash equivalents	**$ 210,065,956**	**$ 210,065,956**	**$ -**	**$ -**
Investments	**56,760,025**	**56,760,025**		
Student loan receivables	**3,052,531,483**	**-**	**3,052,531,483**	**-**
Total financial assets	**$ 3,319,357,464**	**$ 266,825,981**	**$ 3,052,531,483**	**$ -**
Financial Liabilities				
Notes payable	**$ 375,793,633**	**$ -**	**$ 375,793,633**	**$ -**
Bonds payable	**2,516,662,625**	**-**	**2,516,662,625**	**-**
Total financial assets	**$ 2,892,456,258**	**$ -**	**$ 2,892,456,258**	**$ -**

Notes to Consolidated Financial Statements

Note 13. Assets Released from Restrictions

Net assets during the year ended June 30, 2012, were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	$ 337,500
Contractual services	221,002
General operating	62,708
Interest on debt	32,534,496
TLP cancellations	5,063,394
Amortization of deferred cost of bond issuance	3,123,701
Payment to SC State Education Assistance Authority for student loan income	4,220,150
Loan fees	11,625,628
Reinsurance expense	974,194
Borrowers incentives	5,993,599
Broker dealer fees	399,326
Loan loss expense	8,004,619
Other	493,937
Total expenses	73,054,254
Transfer to teacher fund for operations	(57,547)
Transfer from taxable bonds for loan servicing	37,043,412
Transfer from Straight A Conduit for loan servicing	4,996,569
Total	$ 115,036,688

Note 14. Reclassifications

Certain reclassifications of fiscal year 2011 amounts were made on the statement of financial position and the statement of activities for comparability to fiscal year 2012 with no effect on the change in net assets.

Note 15. Board Designated Net Assets

During fiscal year 2006, the Board designated $ 100,000 to establish the Mackie Scholarship Fund to award scholarships to employees or family members of employees. As of June 30, 2012, no scholarships have been awarded under this program.

Note 16. Contingencies

On September 8, 2009, in connection with its review of the process for determining whether borrowers qualify for a FFEL Loan under the Lender-of-Last-Resort Program (the "*LLR Program*") of the Authority established under the Higher Education Act and the Authority's internal controls relating to FFEL, the Department of Education made findings in a Final Program Review Determination (the "*FPRD*") stating that (i) since 1993, the Corporation has made FFEL loans under the LLR Program ("*LLR Loans*") without a request from the borrower to do so in violation of the Higher Education Act, (ii) since 1994, the Corporation has denied conventional FFEL loans to borrowers based solely on the fact that the borrowers had filed for bankruptcy and on the basis of such denial made LLR Loans to such borrowers in violation of the Bankruptcy Reform Act of 1994 (the "*Bankruptcy Act*") and guidance relating thereto issued by the USDE, and (iii) the Corporation has performed default aversion activities on behalf of the Authority in violation of the conflict of interest prohibitions contained in the Code of Federal Regulations promulgated under the Higher Education Act.

Note 16. Contingencies (Continued)

As a result of these findings the USDE determined in the FPRD that the Authority (i) must update its policies and procedures relating to the LLR Program, reclassify all LLR Loans made since 1993, calculate the amount of overpaid reinsurance relating to such LLR Loans, and refund such overpayment to the USDE, (ii) must require the Corporation to identify the specific loans designated as LLR loans as a result of the Corporation's denial of a conventional loan because of a bankruptcy filing and reverse that designation, instruct the Corporation to update its lending policies and procedures to comply with the Bankruptcy Act and associated guidance provided by the USDE, and (iii) must obtain an independent servicer, other than the Corporation, to perform default aversion activities on its behalf or begin to perform those activities with its own employees.

In the FPRD, the USDE has calculated the amount to be paid as a result of the incorrect classification of loans as LLR Loans and the resulting overpayment of reinsurance on LLR Loans is approximately $ 4.1 million plus interest of approximately $ 654,000 by the Authority and approximately $ 1 million by the Corporation. As of June 30, 2010, the Corporation recorded a liability of approximately $ 1 million and the Authority recorded a liability of approximately $ 4.8 million to recognize the potential exposure to these findings. However, both the Corporation and the Authority continue to appeal these findings.

On October 23, 2009, the Authority appealed the first finding of the FPRD on the grounds that, among other things, the USDE's position was not supported by the statute and regulations on which it relied. On May 20, 2010, the Department of Education issued a ruling sustaining this finding of the FPRD. On July 6, 2010, the Authority appealed the decision to the Secretary of Education.

With respect to the second finding, the Authority provided additional information to the USDE via a letter dated January 16, 2010, which stated that the Authority had caused the Corporation to discontinue the challenged practice and calculated the total associated liability of the Authority and Corporation to be approximately $ 35,000. On February 22, 2010, the USDE informed the Authority that the calculation provided in the January 16, 2010 letter was acceptable, and on March 18, 2010, the Corporation and Authority confirmed to the USDE that they had made the necessary payments to resolve the issue.

With respect to the third finding, on January 16, 2010, the Authority formally requested a meeting with the USDE to discuss alternatives for implementing changes to its default aversion activities that would be satisfactory to the USDE and least disruptive to the Authority. On February 22, 2010, the USDE informed the Authority that it would respond to this request at some point in the future. To date, no response has been received.

Note 17. Subsequent Events

The Corporation evaluated subsequent events through November 28, 2012, the date these financial statements were available to be issued. There were no material events that required recognition or additional disclosure in these financial statements other than below.

On November 23, 2011, SCSLC signed a contract with Educational Loan Servicing, LLC (ELS) d/b/a Campus Partners as a vendor to provide a platform and servicing functionality sufficient to meet the requirements for servicing the United States Department of Education (USDE) Direct Loans. Subsequently, on February 1, 2012, SCSLC invested $4,000,000 as an equity investment into Campus Partners for a 27.67% ownership with an option to purchase an additional 23.37% at a later date for $3,500,000 for a total ownership of 50.00%. As a result of several delays by Campus Partners in providing the contracted servicing platform for Direct Loans, SCSLC evaluated its current investment in Campus Partners and declined to make the additional $3,500,000 investment. On June 20, 2012, SCSLC made an offer under certain conditions to Campus Partners to provide a revocable line of credit for $6,000,000 for a term of three years at a rate of prime plus 1.5% to provide Campus Partners sufficient funding to complete the development of the servicing platform. Additional terms of the offer to provide the $6,000,000 line of credit was that the initial $4,000,000 investment would represent a 51.00% ownership by SCSLC, as SCSLC believed that the equity value had declined as a result of the delays in the delivery of the servicing platform. Also, the board of directors of ELS would be restructured from three members to five members. Three members of the board would be appointed by SCSLC and two members of the board would be appointed by JPT with all decisions approved by a majority vote. The amended offer term sheet also included several less significant provisions that would need to be met in order for SCSLC to provide the line of credit.

Note 17. Subsequent Events (Continued)

On June 22, 2012, ELS held a board meeting of its existing board and approved the terms of the amended offer mentioned above.

As a result of the June 22, 2012, ELS board, SCSLC provided ELS with a $ 700,000 unsecured promissory note with a final due date of July 31, 2012, at a rate of five percent (5%). This note was issued to provide sufficient funding to ELS until all documentation could be finalized to complete the agreed upon transaction mentioned above. As of June 30, 2012, no funds had been drawn on this note.

On July 30, 2012, SCSLC and ELS completed the appropriate documentation and finalized the agreed upon transaction, including the issuance of a $ 6,000,000 line of credit to ELS at a rate of prime rate plus 1.5%. This line of credit was for a term of three years (3) with a final due date of July 31, 2015. ELS paid off the outstanding balance, plus interest on the above referenced $ 700,000 unsecured note with a draw from the $ 6,000,000 line of credit.

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2012

	Unrestricted	Temporarily Restricted						Tax Exempt	
	Operating/SLC	Teacher Loans	96 Resolution	04 Resolution	08 Resolution	Straight A Conduit	2010-1 Resolution	09 PAL Resolution	Total
ASSETS									
Current Assets									
Cash and cash equivalents	$ 72,365,308	$ 12,415,382	$ 31,099,835	$ 7,057,883	$ 20,723,947	$ 12,913,751	$ 53,455,192	$ 34,658	$ 210,065,956
Investments	55,553,494	-	-	-	-	-	-	-	55,553,494
Investment in Campus Partners	1,206,530	-	-	-	-	-	-	-	1,206,530
Current portion of student loan receivables	4,758,603	2,124,046	99,658,417	17,310,478	49,418,815	31,903,667	74,986,074	5,642,108	285,802,208
Interest due from borrowers	1,078,057	2,597,811	16,603,794	5,431,079	8,374,112	13,065,642	18,219,039	356,425	65,725,959
Accounts Receivable	113,236	-	-	-	-	-	-	-	113,236
Due from SC State Education Assistance Authority	2,572,002	270,094	19,544,241	84,105	749,244	126,620	923,202	1,384,478	25,653,986
Accrued investment income	66,346	47,224	7,982	1,009	4,633	-	-	-	127,194
Prepaid expenses	59,052	-	-	11,967	-	-	40,120	-	111,139
Due from (to) other funds	888,819	(7)	4,214	(126,992)	(153,421)	(179,812)	(432,801)	-	-
Total current assets	138,661,447	17,454,550	166,918,483	29,769,529	79,117,330	57,829,868	147,190,826	7,417,669	644,359,702
Long-Term Receivables and Other Assets									
Other student loan receivables less, current portion and allowance for loan loss	56,070,802	-	1,011,320,532	262,739,266	360,456,388	266,066,645	726,614,649	59,034,795	2,742,303,077
Teacher loans receivable - less allowance for teacher loan cancellations and current portion	-	24,426,199	-	-	-	-	-	-	24,426,199
Deferred cost of issuance of debt	-	-	1,191,789	1,126,074	1,272,950	349,005	4,788,210	-	8,728,028
Due from (to) other funds	20,942,464	-	-	-	-	-	(20,942,464)	-	-
Total investments and long-term receivables	77,013,266	24,426,199	1,012,512,321	263,865,340	361,729,338	266,415,650	710,460,395	59,034,795	2,775,457,304
Property and Equipment									
Land	929,900	-	-	-	-	-	-	-	929,900
Building	6,484,448	-	-	-	-	-	-	-	6,484,448
Furniture and equipment	2,782,439	-	-	-	-	-	-	-	2,782,439
Automobiles	73,563	-	-	-	-	-	-	-	73,563
Less, accumulated depreciation	(2,668,577)	-	-	-	-	-	-	-	(2,668,577)
Net property and equipment	7,601,773	-	-	-	-	-	-	-	7,601,773
Total assets	$ 223,276,486	$ 41,880,749	$ 1,179,430,804	$ 293,634,869	$ 440,846,668	$ 324,245,518	$ 857,651,221	$ 66,452,464	$ 3,427,418,779

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2012

	Unrestricted	Temporarily Restricted						Tax Exempt	
	Operating/SLC	Teacher Loans	96 Resolution	04 Resolution	08 Resolution	Straight A Conduit	2010-1 Resolution	09 PAL Resolution	Total
LIABILITIES AND NET ASSETS									
Current Liabilities									
Current portion of notes payable - finance loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,642,108	$ 5,642,108
Current maturities of bonds payable	-	-	254,516,000	16,567,164	63,292,810	-	73,776,206	-	408,152,180
Interest payable	-	-	498,934	267,780	394,554	-	2,056,061	-	3,217,329
Accounts payable	1,856,575	-	-	12,812	-	51,427	-	-	1,920,814
Deferred revenue	1,585,712	-	-	-	-	-	-	502,831	2,088,543
Teacher loan liability	-	397,498	-	-	-	-	-	-	397,498
Accrued pension payable	2,245,072	-	-	-	-	-	-	-	2,245,072
Compensated absences	1,450,532	-	-	-	-	-	-	-	1,450,532
Due to SC State Education Assistance Authority	-	-	-	-	-	-	-	851,326	851,326
Due to United States Department of Education	212,671	(80)	2,319,643	61,798	1,590,346	2,846,267	5,191,542	-	12,222,187
Total current liabilities	7,350,562	397,418	257,334,577	16,909,554	65,277,710	2,897,694	81,023,809	6,996,265	438,187,589
Noncurrent liabilities									
Bonds payable less, current maturities and bond	-	-	777,049,000	260,932,836	327,290,451	-	743,238,158	-	2,108,510,445
Less, bond discounts	-	-	3,486,518	-	319,358	-	7,897,368	-	11,703,244
Net bonds payable less, current maturities and bond discounts	-	-	773,562,482	260,932,836	326,971,093	-	735,340,790	-	2,096,807,201
Due to SC State Education Assistance Authority	-	-	-	-	-	-	39,835,008	-	39,835,008
Notes payable - finance loans less, current maturities	-	-	-	-	-	-	-	62,834,810	62,834,810
Other notes payable	-	-	-	-	-	307,316,715	-	-	307,316,715
Total noncurrent liabilities	-	-	773,562,482	260,932,836	326,971,093	307,316,715	775,175,798	62,834,810	2,506,793,734
Total liabilities	7,350,562	397,418	1,030,897,059	277,842,390	392,248,803	310,214,409	856,199,607	69,831,075	2,944,981,323
Net Assets									
Temporarily restricted for bond indentures current debt service	-	-	16,780,135	19,649	-	-	-	-	16,799,784
Temporarily restricted for bond indentures	-	-	131,753,610	15,772,830	48,597,865	14,031,109	1,451,614	(3,378,611)	208,228,417
Temporarily restricted for teacher loans	-	41,483,331	-	-	-	-	-	-	41,483,331
Board designated for scholarships	100,000	-	-	-	-	-	-	-	100,000
Unrestricted	215,825,924	-	-	-	-	-	-	-	215,825,924
Total net assets	215,925,924	41,483,331	148,533,745	15,792,479	48,597,865	14,031,109	1,451,614	(3,378,611)	482,437,456
Total liabilities and net assets	$ 223,276,486	$ 41,880,749	$ 1,179,430,804	$ 293,634,869	$ 440,846,668	$ 324,245,518	$ 857,651,221	$ 66,452,464	$ 3,427,418,779

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONSOLIDATED SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted						Tax Exempt	
	Operating/SLC	Teacher Loans	96 Resolution	04 Resolution	08 Resolution	Straight A Conduit	2010-1 Resolution	09 PAL Resolution	Total
Revenue									
Income from United States Department of Education									
student loan interest - subsidized	$ 118,946	$ 376	$ 6,383,216	$ 69,502	$ 3,696,044	$ 3,745,786	$ 8,143,404	$ 121,429	$ 22,278,703
Special allowances	(731,816)	-	(16,009,250)	(324,162)	(10,260,342)	(15,721,978)	(28,579,424)	(401,820)	(72,028,792)
Student loan interest - non-subsidized	1,823,865	3,044,570	50,548,577	10,386,975	16,991,751	18,233,006	42,420,914	3,615,503	147,065,161
Investment income	154,552	203,953	303,849	12,746	64,302	11	5,848	-	745,261
Unrealized gain (loss) on investments	24,663	8,810	-	-	-	-	-	-	33,473
Late charges	30,313	34,014	814,703	146,725	452,539	144,227	526,476	33,326	2,182,323
Miscellaneous payments of student loans	(86)	(1,615)	(2,274)	(176)	(2,254)	(1,023)	(2,384)	(35)	(9,847)
Miscellaneous income	-	-	408,509	-	-	-	-	50,609	459,118
State appropriations - Department of Education	-	4,835,042	-	-	-	-	-	-	4,835,042
Remittance from SC State Education Assistance									
Authority for operating cost	643,034	-	-	-	-	-	-	-	643,034
Other	252,077	-	-	-	-	-	-	-	252,077
Total revenue	2,315,548	8,125,150	42,447,330	10,291,610	10,942,040	6,400,029	22,514,834	3,419,012	106,455,553
Expenses									
Personnel	6,586,901	337,500	-	-	-	-	-	-	6,924,401
Contractual services	1,195,028	20,500	-	-	-	200,502	-	-	1,416,030
General operating	2,495,735	58,749	-	3,959	-	-	-	-	2,558,443
Interest on debt	-	-	6,048,351	7,948,567	4,958,585	2,530,504	11,048,489	-	32,534,496
TLP cancellations	-	5,063,394	-	-	-	-	-	-	5,063,394
Amortization of deferred cost of bond issuance	-	-	678,638	95,961	579,021	-	1,770,081	-	3,123,701
Payments to SC State Education Assistance									
Authority for student loan income	-	-	-	-	-	-	-	4,220,150	4,220,150
Loan fees	34,495	-	8,418,849	159,828	(41)	(226)	3,047,219	-	11,660,124
Reinsurance expense	289,276	-	459,945	8,002	180,845	221	317,100	8,081	1,263,470
Borrower incentives	12,142	12,442	3,616,742	184,415	415,820	89,237	1,519,478	155,465	6,005,741
Broker dealer fees	-	-	95,952	173,699	41,771	-	87,904	-	399,326
Building rental expenses	1,075,388	-	-	-	-	-	-	-	1,075,388
Loan loss expense	1,202,850	-	-	7,933,223	-	-	-	71,396	9,207,469
Campus Partners valuation expense	2,282,692								2,282,692
Other	-	-	-	493,937	-	-	-	-	493,937
Total expenses	15,174,507	5,492,585	19,318,477	17,001,591	6,176,001	2,820,238	17,790,271	4,455,092	88,228,762
Employee benefits - related changes other than net periodic pension cost (expense) benefit	(2,056,251)	-	-	-	-	-	-	-	(2,056,251)
Transfer Between Accounts									
Transfers in	100,905,287	57,547	27,801	500	571	17,367,162	8,648	-	118,367,516
Transfers out	(58,922,854)	-	(28,014,145)	(1,550,231)	(1,993,567)	(22,363,730)	(5,522,989)	-	(118,367,516)
Total transfers between accounts	41,982,433	57,547	(27,986,344)	(1,549,731)	(1,992,996)	(4,996,568)	(5,514,341)	-	-
Change in net assets	27,067,223	2,690,112	(4,857,491)	(8,259,712)	2,773,043	(1,416,777)	(789,778)	(1,036,080)	16,170,540
Net Assets									
Beginning	188,858,701	38,793,219	153,391,236	24,052,191	45,824,822	15,447,886	2,241,392	(2,342,531)	466,266,916
Ending	$ 215,925,924	$ 41,483,331	$ 148,533,745	$ 15,792,479	$ 48,597,865	$ 14,031,109	$ 1,451,614	$ (3,378,611)	$ 482,437,456

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONSOLIDATED SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted						Tax Exempt	
	Operating/SLC	Teacher Loans	96 Resolution	04 Resolution	08 Resolution	Straight A Conduit	2010-1 Resolution	09 PAL Resolution	Total
Cash Flows from Operating Activities									
Change in net assets	$ 27,067,223	$ 2,690,112	$ (4,857,491)	$ (8,259,712)	$ 2,773,043	$ (1,416,777)	$ (789,778)	$ (1,036,080)	$ 16,170,540
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities									
Depreciation	301,427	-	-	-	-	-	-	-	301,427
Unrealized (gain) loss on investments	(24,663)	-	-	-	-	-	-	-	(24,663)
Write down in Campus Partners	2,282,692								2,282,692
Impairment of building	490,000	-	-	-	-	-	-	-	490,000
Amortization of premiums and discounts on bonds payable	-	-	509,411	-	116,130	-	1,101,957	-	1,727,498
Amortization of cost of debt issuance	-	-	169,227	95,961	462,891	174,503	668,123	-	1,570,705
Allowance for Loan Loss	1,202,850	-	-	7,933,223	-	-	-	71,396	9,207,469
Changes in operating assets and liabilities									
(Increase) decrease in due from US Department of Education	126,206	26	(153,329)	(5,060)	(91,375)	(241,523)	(291,642)	-	(656,697)
(Increase) decrease in due from SC State Education Assistance Authority	(1,877,748)	(139,449)	(9,331,332)	(29,867)	223,230	154,008	508,478	99,756	(10,392,924)
(Increase) decrease in interest due from borrowers	(366,879)	95,599	2,772,304	2,532,918	2,439,472	2,627,151	5,227,127	(13,202)	15,314,490
(Increase) decrease in accounts receivable	(113,237)	-	-	-	-	-	-	-	(113,237)
(Increase) decrease in accrued investment income	(36,169)	(6,825)	7,047	(253)	(2,525)	-	-	-	(38,725)
(Increase) in prepaid expenses	(69,692)	-	-	(11,969)	-	-	(8,787)	-	(90,448)
Increase (decrease) in interest payable	-	-	133,687	(113,958)	26,919	-	194,562	-	241,210
Increase (decrease) in accounts payable	198,042	-	-	(970)	-	(4,701)	-	150,129	342,500
Increase (decrease) in deferred revenue	1,585,712	-	-	-	-	-	-	39,869	1,625,581
Increase (decrease) in accrued pension expense	2,756,193	-	-	-	-	-	-	-	2,756,193
Increase (decrease) in compensated absences	334,348	-	-	-	-	-	-	-	334,348
Increase (decrease) in teacher loan liability	-	115,680	-	-	-	-	-	-	115,680
(Decrease) increase in due to SC State Education Assistance Authority	-	-	-	-	-	-	-	(39,869)	(39,869)
Due to (from) other funds	14,763	89,455	(1,213)	(4,628)	(22,829)	(28,718)	(47,317)	487	-
Net cash provided by (used in) operating activities	33,871,068	2,844,598	(10,751,689)	2,135,685	5,924,956	1,263,943	6,562,723	(727,514)	41,123,770
Cash Flows from Investing Activities									
Purchase of property and equipment	(5,345,653)	-	-	-	-	-	-	-	(5,345,653)
Principal payments on student loans	12,685,938	441,154	136,309,872	17,172,911	72,535,578	47,379,343	110,687,855	4,777,906	401,990,557
Purchase and issuance of student loans	(44,454,425)	(6,481,864)	(20,881,463)	(6,066,299)	(10,696,532)	(3,962,780)	(25,918,714)	(16,715,423)	(135,177,500)
Teacher loan cancellations	-	5,063,394	-	-	-	-	-	-	5,063,394
Purchase of investments	(14,062,784)	-	-	-	-	-	-	-	(14,062,784)
Net cash provided by (used in) investing activities	(51,176,924)	(977,316)	115,428,409	11,106,612	61,839,046	43,416,563	84,769,141	(11,937,517)	252,468,014
Cash Flows from Financing Activities									
Proceeds from financing loans	-	-	-	-	-	-	-	19,580,364	19,580,364
Proceeds on financing loans	-	-	-	-	-	-	-	(7,182,790)	(7,182,790)
Payments on lines of credit	-	-	-	-	-	(39,438,705)	-	-	(39,438,705)
Payments of bonds	-	-	(168,435,000)	(14,550,000)	(63,292,810)	-	(73,776,206)	-	(320,054,016)
Net cash provided by (used in) financing activities	-	-	(168,435,000)	(14,550,000)	(63,292,810)	(39,438,705)	(73,776,206)	12,397,574	(347,095,147)
Net increase (decrease) in cash and cash equivalents	(17,305,856)	1,867,282	(63,758,280)	(1,307,703)	4,471,192	5,241,801	17,555,658	(267,457)	(53,503,363)
Cash and Cash Equivalents									
Beginning	89,671,164	10,548,100	94,858,115	8,365,586	16,252,755	7,671,950	35,899,534	302,115	263,569,319
Ending	72,365,308	12,415,382	31,099,835	7,057,883	20,723,947	12,913,751	53,455,192	34,658	210,065,956
Supplemental Disclosure of Cash Flow Information									
Cash payments for interest	-	-	5,914,663	8,062,525	4,931,666	2,530,504	10,853,929	-	32,293,287
Disposal of fully depreciated property and equipment	$ 90,256	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 90,256

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONSOLIDATED SCHEDULE OF PROPERTY AND EQUIPMENT
YEAR ENDED JUNE 30, 2012

Description	Cost	Accumulated Depreciation 6/30/11	Depreciation Expense	Disposals and Transfers	**Accumulated Depreciation 6/30/12**
General Operating					
Land 1	$ 565,000	$ -	$ -	$ -	**$ -**
Land 2	364,900	-	-		**-**
Total land	929,900	-	-	-	**-**
Building 1	2,125,778	454,806	74,174	-	**528,980**
Building 2	4,358,670	-	61,431	-	**61,431**
Total buildings	6,484,448	454,806	135,605	-	**590,411**
Furniture and Fixtures					
Computer equipment	1,390,169	1,143,059	101,526	-	**1,244,585**
Other office machines	381,060	371,364	12,708	-	**384,072**
Telephone equipment	501,585	313,073	26,944	-	**340,017**
Miscellaneous	509,625	101,541	24,644	(90,256)	**35,929**
Total furniture and fixtures	2,782,439	1,929,037	165,822	(90,256)	**2,004,603**
Automobiles					
2004 Buick LeSabre	20,215	20,215	-	-	**20,215**
2008 Buick Lucerne	33,015	33,015	-	-	**33,015**
2005 Buick LeSabre	20,333	20,333	-	-	**20,333**
Total automobiles	73,563	73,563	-	-	**73,563**
Grand total	$ 10,270,350	$ 2,457,406	$ 301,427	$ (90,256)	**$ 2,668,577**

SOUTH CAROLINA STUDENT LOAN CORPORATION
CONSOLIDATED SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2012

	Operating Fund		Teacher Loan Program - EIA	
	2012	2011	**2012**	2011
Operating Expenses				
Personnel				
Staff salaries	**$ 4,932,246**	$ 4,217,589	**$ 180,638**	$ 194,919
Social security	**339,925**	287,082	**12,461**	13,263
Group insurance	**584,497**	578,355	**23,195**	27,344
Retirement	**718,837**	929,807	**120,628**	(13,016)
Unemployment	**11,396**	14,957	**578**	701
Total personnel	**6,586,901**	6,027,790	**337,500**	223,211
Contractual				
Loan servicing	**486,106**	460,358	**-**	23,718
Information technology	**88,376**	-	**17,157**	-
Legal	**408,387**	983,581	**-**	-
Accounting	**142,315**	241,884	**3,343**	2,051
Skip tracing	**27,138**	9,556	**-**	-
Credit bureau	**42,706**	51,529	**-**	-
Total contractual	**1,195,028**	1,746,908	**20,500**	25,769
General Operating				
Rent	**-**	-	**8,759**	8,759
Telephone	**156,979**	98,815	**5,638**	4,614
Printing	**140,716**	165,165	**4,427**	4,464
Postage	**823,556**	867,125	**28,743**	23,296
Supplies	**74,444**	72,245	**2,391**	3,639
Travel	**71,402**	36,586	**-**	-
Equipment maintenance	**444,047**	204,986	**6,152**	1,931
Subscriptions and fees	**53,044**	49,009	**-**	-
Meeting and conference expenses	**52,625**	44,090	**-**	-
Insurance - general and automotive	**77,053**	57,148	**2,639**	2,572
Outreach and awareness	**5,393**	9,993	**-**	-
Contingencies	**22,368**	5,911	**-**	-
Depreciation	**165,823**	135,026	**-**	-
Third party collections	**215,463**	-	**-**	-
Other operating expenses	**192,822**	211,049	**-**	-
Total general operating	**2,495,735**	1,957,148	**58,749**	49,275
Total operating expenses	**10,277,664**	9,731,846	**416,749**	298,255
Employee benefits - related changes other than net periodic pension cost (benefit)	**2,056,251**	(1,189,329)	**-**	-
Capital Additions				
Property, equipment, furniture and fixtures	**621,535**	681,744	**-**	-
Total operating expenses, employee benefits - related changes and capital additions	**$ 12,955,450**	$ 9,224,261	**$ 416,749**	$ 298,255

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ORGANIZATIONAL DATA
YEAR ENDED JUNE 30, 2012

Incorporated November 15, 1973 under the Laws of the State of South Carolina. Began operations October 14, 1974. Offices located at 8906 Two Notch Road, Columbia, South Carolina.

BOARD OF DIRECTORS OF THE CORPORATION

Name	Office	Term Expires 6/30
Fredrick T. Himmelein, Esq.	Chairman	2013
J. Thornton Kirby, Esq.	Treasurer	2014
Charlie C. Sanders, Jr.	Secretary, President & CEO	2013
R. Jason Caskey, CPA		2014
Renee R. Brooks		2015
Neil E. Grayson, Esq.		2014
William M. Mackie, Jr.		2013
Jeffrey R. Scott		2015
Barbara F. Weston		2014
Vince V. Ford		2014

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/ Program Title	CFDA Number	Amount of Grant	Expenses
U.S. Department of Education Programs			
Higher Education Act insured loans contract			
Federal family education loan programs			
Special allowances	84.032		See #2 Below
Subsidized interest	84.032		$ 22,278,703
Total U.S. Department of Education programs (major program)			$ 22,278,703

1. Summary of Significant Accounting Policies

   This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The financial activity shown in this schedule reflects amounts recorded by the Corporation during its fiscal year July 1, 2011, through June 30, 2012.

2. Special Allowances

   The U.S. Department of Educations (USDE) now requires lenders to pay the USDE when lenders have negative special allowance. The Corporation paid $ 72,028,792 for the year ending June 30, 2012.

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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*

To the Board of Directors
Management of South Carolina Student Loan Corporation
Columbia, South Carolina

We have audited the financial statements of the South Carolina Student Loan Corporation as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting
Management is responsible for establishing and maintain effective internal control over financial reporting in planning and performing our audit, we considered the South Carolina Student Loan Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Carolina Student Loan Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Carolina Student Loan Corporation's internal control over financial reporting

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

This report is intended solely for the information of the management, Board of Directors and the U.S. Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Derrick, Stubbs + Stith, LLP

November 28, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
South Carolina Student Loan Corporation
Columbia, South Carolina

Compliance

We have audited the compliance of the South Carolina Student Loan Corporation with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2012. The South Carolina Student Loan Corporation's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the South Carolina Student Loan Corporation's management. Our responsibility is to express an opinion on the South Carolina Student Loan Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the South Carolina Student Loan Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the South Carolina Student Loan Corporation's compliance with those requirements.

In our opinion, the South Carolina Student Loan Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the South Carolina Student Loan Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the South Carolina Student Loan Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Carolina Student Loan Corporation's internal control over compliance.

To the Board of Directors
South Carolina Student Loan Corporation
Columbia, South Carolina

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, Board of Directors and the U.S. Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Derrick, Stubbs + Stith, LLP

November 28, 2012

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	None Identified
Significant deficiency(ies) identified?	None Identified
Noncompliance material to the financial statements noted?	None Reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None Identified
Significant deficiency(ies) identified?	None Identified
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133?	None Disclosed

Identification of major programs:

U. S. Department of Education	CFDA#	Expenditure
Higher education act insured loan programs		
Federal family education loan program		
Subsidized interest	84.032	$ 22,278,703

Dollar threshold used to distinguish between Type A and Type B programs	$ 668,361
South Carolina Student Loan Corporation qualified as a low-risk auditee?	Yes

II. FINANCIAL STATEMENT FINDINGS

None Reported

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Reported

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012

There are no prior audit findings and questioned costs relative to Federal Awards.

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2012

There is no corrective action plan required since there are no prior auditing findings and questioned costs relative to Federal Awards.