South Carolina Student Loan Corporation

Report on Consolidated Financial Statements

For the year ended June 30, 2018

Contents

elliott davis

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of South Carolina Student Loan Corporation (the "Corporation"), which comprise the consolidated statement of financial position as of June 30, 2018, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Student Loan Corporation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited South Carolina Student Loan Corporation's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidated schedules by fund, consolidated schedule of property and equipment, schedule of expenses for the operating fund and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the 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. Such information has been subjected to the auditing procedures applied in the audit 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Elliott Davis, LLC

Columbia, South Carolina
September 28, 2018

South Carolina Student Loan Corporation

Consolidated Statement of Financial Position

As of June 30, 2018 (with comparative amounts for 2017)

	2018			2017 Totals
	Unrestricted	Temporarily Restricted	Total	Memorandum Only
Assets				
Current assets				
Cash and cash equivalents	$ 41,290,292	$ 107,141,741	$ 148,432,033	$ 177,531,891
Investments	186,732,240	-	186,732,240	184,685,684
Current portion of student loans receivable	11,026,052	211,176,452	222,202,504	255,405,239
Current portion of teacher loans receivable	-	2,006,114	2,006,114	2,255,319
Interest due from borrowers	882,360	39,349,046	40,231,406	34,245,543
Accounts receivable	27,120	2,673	29,793	66,000
Due from United States Department of Education	11,117	344,573	355,690	41,346
Due from servicers	54,787	2,123,906	2,178,693	2,643,940
Due from South Carolina State Education Assistance Authority	35,321	621,987	657,308	797,900
Accrued investment income	123,704	88,120	211,824	83,688
Prepaid expenses	1,305,656	60,279	1,365,935	203,499
Due from (to) other funds	404,398	(404,398)	-	-
Total current assets	241,893,047	362,510,493	604,403,540	657,960,049
Long-term receivables and other assets				
Student loans receivable, net of current portion and allowance for loan loss of $27,177,636	76,950,280	1,184,358,525	1,261,308,805	1,488,737,582
Teacher loans receivable, net of current portion and allowance for loan cancellations of $9,976,181	-	29,283,900	29,283,900	28,325,557
Overfunded defined benefit plan	2,491,955	-	2,491,955	923,067
Due from (to) other funds	20,942,464	(20,942,464)	-	-
Total long-term receivables and other assets	100,384,699	1,192,699,961	1,293,084,660	1,517,986,206
Property and equipment				
Land	364,900	-	364,900	364,900
Building	4,358,670	-	4,358,670	4,358,670
Furniture and equipment	2,822,500	-	2,822,500	2,653,124
Automobiles	113,046	-	113,046	113,046
Less accumulated depreciation	(3,301,583)	-	(3,301,583)	(2,944,931)
Net property and equipment	4,357,533	-	4,357,533	4,544,809
Total assets	$ 346,635,279	$ 1,555,210,454	$ 1,901,845,733	$ 2,180,491,064

See Notes to Consolidated Financial Statements *(Continued)*

South Carolina Student Loan Corporation

Consolidated Statement of Financial Position

As of June 30, 2018 (with comparative amounts for 2017)

	2018			2017 Totals
	Unrestricted	**Temporarily Restricted**	**Total**	**Memorandum Only**
Liabilities and Net Assets				
Current liabilities				
Current maturities of notes payable - finance loans	$ -	$ 6,916,628	$ 6,916,628	$ 5,027,638
Current maturities of bonds payable	-	240,209,402	240,209,402	263,163,436
Interest payable	-	3,857,652	3,857,652	3,030,513
Accounts payable	1,740,827	-	1,740,827	1,814,630
Unearned revenues	277,886	558,179	836,065	1,029,199
Customer refunds payable	8,658	-	8,658	122,974
Teacher loan liability	-	1,309,353	1,309,353	970,628
Defined contribution plan obligation	-	-	-	165,303
Compensated absences	1,009,437	-	1,009,437	1,447,934
Current portion of payable to the State	-	-	-	16,000,000
Due to South Carolina State Education Assistance Authority	155	-	155	37
Due to United States Department of Education	8,270	2,302,699	2,310,969	5,375,030
Total current liabilities	3,045,233	255,153,913	258,199,146	298,147,322
Noncurrent liabilities				
Notes payable - finance loans, net of current maturities	-	28,406,937	28,406,937	37,374,136
Bonds payable, net of current maturities	-	983,160,525	983,160,525	1,228,247,695
Payable to the State, net of current portion	-	46,595,315	46,595,315	42,402,584
Due to South Carolina State Education Assistance Authority	-	39,835,008	39,835,008	39,835,008
Total noncurrent liabilities	-	1,097,997,785	1,097,997,785	1,347,859,423
Total liabilities	3,045,233	1,353,151,698	1,356,196,931	1,646,006,745
Net Assets				
Temporarily restricted				
For bond indentures - current debt service	-	14,211,020	14,211,020	10,150,294
For bond indentures	-	187,847,736	187,847,736	189,330,778
Total temporarily restricted	-	202,058,756	202,058,756	199,481,072
Unrestricted				
Board designated for scholarships	100,000	-	100,000	100,000
Undesignated	343,490,046	-	343,490,046	334,903,247
Total unrestricted	343,590,046	-	343,590,046	335,003,247
Total net assets	343,590,046	202,058,756	545,648,802	534,484,319
Total liabilities and net assets	$ 346,635,279	$ 1,555,210,454	$ 1,901,845,733	$ 2,180,491,064

See Notes to Consolidated Financial Statements

South Carolina Student Loan Corporation

Consolidated Statement of Activities

For the year ended June 30, 2018 (with comparative amounts for 2017)

	2018			2017 Totals Memorandum Only
	Unrestricted	**Temporarily Restricted**	**Total**	
Revenues				
Income from United States Department of Education:				
Student loan interest - subsidized	$ 42,644	$ 5,894,647	$ 5,937,291	$ 5,775,440
Special allowances	(112,334)	(18,197,481)	(18,309,815)	(31,930,385)
Student loan interest - unsubsidized	5,098,510	76,806,431	81,904,941	93,083,644
Investment income	3,000,743	1,237,503	4,238,246	2,395,623
Unrealized gain on investments	693,771	-	693,771	1,273,182
Late charges	55,524	1,249,946	1,305,470	1,363,347
Miscellaneous payments of student loans	210	15,389	15,599	6,926
Remittance from South Carolina State Education Assistance Authority for operating costs	411,940	-	411,940	474,027
Servicing fees	368,920	-	368,920	-
Other	356,734	-	356,734	2,314,596
Net assets released from restrictions	64,428,751	(64,428,751)	-	-
Total revenues	74,345,413	2,577,684	76,923,097	74,756,400
Expenses				
Personnel	2,375,248	-	2,375,248	3,092,483
Contractual services	5,589,894	-	5,589,894	4,886,730
General operating	1,206,723	-	1,206,723	1,502,777
Interest on debt	38,874,734	-	38,874,734	32,661,481
Payments to South Carolina State Education Assistance Authority for student loan income	2,139,915	-	2,139,915	2,653,929
Loan fees	6,346,334	-	6,346,334	7,247,573
Reinsurance expense	1,456,891	-	1,456,891	869,776
Borrower incentives	4,283,820	-	4,283,820	5,276,961
Broker dealer fees	265,550	-	265,550	292,915
Building expense	239,943	-	239,943	259,439
Loan loss expense	2,979,562	-	2,979,562	10,829,039
Total expenses	65,758,614	-	65,758,614	69,573,103
Changes in net assets	8,586,799	2,577,684	11,164,483	5,183,297
Net assets				
Beginning	335,003,247	199,481,072	534,484,319	529,301,022
Ending	$ 343,590,046	$ 202,058,756	$ 545,648,802	$ 534,484,319

See Notes to Consolidated Financial Statements

South Carolina Student Loan Corporation

Consolidated Statement of Cash Flows

For the year ended June 30, 2018 (with comparative amounts for 2017)

	2018			2017 Totals Memorandum Only
	Unrestricted	**Temporarily Restricted**	**Total**	
Cash flows from operating activities				
Changes in net assets	$ 8,586,799	$ 2,577,684	$ 11,164,483	$ 5,183,297
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:				
Depreciation	356,652	-	356,652	414,101
Unrealized gain on investments	(693,771)	-	(693,771)	(1,273,182)
Amortization of bond discounts	-	1,861,742	1,861,742	1,964,393
Loan loss expense	1,380,261	1,599,301	2,979,562	10,829,039
Changes in operating assets and liabilities:				
Decrease in due from South Carolina State Education Assistance Authority	82,951	57,641	140,592	5,110,275
(Increase) decrease in interest due from borrowers	(227,815)	(5,758,048)	(5,985,863)	1,529,219
Decrease in accounts receivable	38,880	(2,674)	36,206	3,462
(Increase) decrease in due from United States Department of Education	30,229	(344,573)	(314,344)	(21,695)
(Increase) decrease in due from servicers	(16,876)	482,123	465,247	(2,643,940)
(Increase) decrease in accrued investment income	(82,834)	(45,302)	(128,136)	33,872
(Increase) decrease in prepaid expenses	(1,178,450)	16,017	(1,162,433)	129,204
Increase in overfunded defined benefit plan	(1,568,888)	-	(1,568,888)	(923,067)
(Increase) decrease in due (from) to other funds	135,177	(135,177)	-	-
Increase in interest payable	-	827,137	827,137	499,208
Increase (decrease) in accounts payable	(73,803)	-	(73,803)	172,842
Decrease in unearned revenues	(54,307)	(138,827)	(193,134)	(183,444)
Decrease in defined contribution plan obligation	-	-	-	(2,421)
Decrease in defined benefit plan obligation	(165,303)	-	(165,303)	(2,651,914)
Decrease in compensated absences	(438,497)	-	(438,497)	(531,578)
Increase (decrease) in teacher loan liability	-	338,725	338,725	(32,315)
Increase (decrease) in customer refunds payable	(114,317)	-	(114,317)	122,975
Increase (decrease) in payable to the State	-	(11,807,269)	(11,807,269)	4,821,642
Decrease in due to United States Department of Education	(25,984)	(3,038,076)	(3,064,060)	(2,827,100)
Increase in due to South Carolina State Education Assistance Authority	118	-	118	37
Net cash provided by (used for) operating activities	5,970,222	(13,509,576)	(7,539,354)	19,722,910
Cash flows from investing activities				
Purchases of property and equipment	(169,376)	-	(169,376)	(104,224)
Net changes in student loans receivable	(11,923,632)	269,575,585	257,651,953	241,675,631
Net changes in teacher loans receivable	-	(709,138)	(709,138)	(1,421,259)
Net purchases of investments	(1,352,784)	-	(1,352,784)	(1,708,849)
Net cash provided by (used for) investing activities	(13,445,792)	268,866,447	255,420,655	238,441,299
Cash flows from financing activities				
Net changes in notes payable - finance loans	-	(7,078,209)	(7,078,209)	(6,076,876)
Net payments on bonds payable	-	(269,902,950)	(269,902,950)	(276,551,017)
Net cash used for financing activities	-	(276,981,159)	(276,981,159)	(282,627,893)
Net decrease in cash and cash equivalents	(7,475,570)	(21,624,288)	(29,099,858)	(24,463,684)
Cash and cash equivalents				
Beginning	48,765,862	128,766,029	177,531,891	201,995,575
Ending	$ 41,290,292	$ 107,141,741	$ 148,432,033	$ 177,531,891
Supplemental disclosures of cash flow information				
Cash payments for interest	$ -	$ 33,667,314	$ 33,667,314	$ 27,598,484

See Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting entity:

The South Carolina Student Loan Corporation (the "Corporation") was incorporated on 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 of students to attend eligible post-secondary institutions. Funds from various sources are administered by the Corporation to achieve this goal.

Effective September 10, 2015, Palmetto Investment Holdings, Inc. ("PIHI"), a South Carolina Corporation (C-Corp) was organized as a wholly-owned subsidiary of the Corporation. PIHI functions as the holding company for for-profit ventures within the Corporation's consolidated corporate structure. Also effective September 10, 2015, SC3 Solutions, LLC ("SC3") was formed under the Laws of the State of South Carolina as a wholly-owned subsidiary of PIHI. Since its inception, SC3 has operated as a call and customer contact center with a client base within the healthcare industry. After careful consideration, the Corporation decided to discontinue this service line and ended the contact center activity as of October 6, 2017.

On April 1, 2011, the Corporation formed EdVantage Corporation ("EdVantage"), which is a controlled affiliate of the Corporation for the purpose of providing debt collector services. EdVantage is not actively serving as a debt collector at this time.

The Corporation is the sole owner of Educational Loan Services, LLC ("ELS"), d/b/a Campus Partners ("CP"), a provider of servicing of student educational loans for universities, colleges and other educational institutions nationwide (see Note 4).

The Corporation administers the operations of the South Carolina State Education Assistance Authority (the "Authority"). The Authority is a body politic as well as a corporate and 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 the State Fiscal Accountability Authority ("SFAA") whose members by virtue of their position in State government include the Governor, State Treasurer, Comptroller General, Chairman of Senate Finance Committee and Chairman of South Carolina House of Representatives Ways and Means Committee.

On June 22, 2016, the SFAA delegated to the Corporation the authority to communicate with the USDE at the appropriate time to terminate the guaranty agreement between the Authority and USDE, cease operating as a guaranty agency under the Higher Education Act of 1965 and to present to the State Treasurer all necessary documents required to effect such termination. The Corporation notified the USDE on June 22, 2016 of the intention to terminate the guaranty agreement.

Note 1. Summary of Significant Accounting Policies, Continued

Reporting entity, continued:

On July 21, 2016, the Corporation received notice from the USDE formally naming Educational Credit Management Corporation ("ECMC") as the receiving guarantor; however, initial discussion and coordination of the transfer between the parties began on July 7, 2016. The related conversion occurred on December 1, 2016. During the fiscal year ended June 30, 2017, the level of services provided by the Corporation to the Authority were reduced due to the termination of the guaranty agreement between the Authority and USDE, the transfer of the guaranty agency function to ECMC on December 1, 2016 and the completion of subsequent reporting to the USDE which closed the guaranty function of the Authority with the USDE. Since this time, the Corporation has performed specified services for the Authority on a contractual basis with mutually agreed-upon terms.

The basic, but not the only, criterion 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 activities and cash flows of the Corporation and its controlled affiliate and subsidiaries.

Overall operating arrangement:

The Authority, as a guaranty agency, has approved the Corporation as an eligible lender to administer the Federal Family Education Loan ("FFEL") Program. 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 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 serve as the eligible lender and servicer of the previously originated FFEL loans. The Corporation also continues to originate private student loans.

The Corporation financed both FFEL and private student loans using several sources. One source was 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.

During the fiscal year ended June 30, 1985, the Corporation began administering the Teacher Loan Program ("TLP"). The TLP is a part of the Education Improvement Act of 1984 (the "Act") 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 of South Carolina. Loans are cancelled 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 in a critical subject or critical location. TLP loans made for academic years before 1994-1995 are guaranteed by the Authority. Loans made for academic years 1994-1995 or after are non-guaranteed.

Note 1. Summary of Significant Accounting Policies, Continued

Overall operating arrangement, continued:

As stipulated by the South Carolina Code of Laws when the TLP began during the fiscal year ended June 30, 1985, a separate revolving State-owned bank account was designated and established for the TLP. The account is named the EIA Revolving Student Loan Program Fund 41L1 ("Fund 41L1"). Funds generated from repayments to the TLP must be retained in this account for the purpose of making TLP loans in keeping with the stipulation with the originally appropriated funds. Transactional activity of Fund 41L1 is directed by the Corporation as it administers the program while the investment of funds in the account is directed by the State Treasurer. As of June 30, 2018, the balance of Fund 41L1 was $8,695,425.

During June 2017, the fiscal year 2017-2018 State Appropriations Act (the "Appropriations Act") was finalized and became effective July 1, 2017. It authorized the State Treasurer to transfer $16,000,000 from Fund 41L1 to the State's Department of Education to be used for the School District's Capital Improvement Plan as set forth in the same Appropriations Act. The Appropriations Act was finalized by the State and the Corporation was notified of the appropriation prior to June 30, 2017. The transaction has been reflected in the Teacher Loan Fund of the consolidated financial statements for the fiscal year ended June 30, 2017 as a reduction to the net assets and an increase in a liability due to the State Department of Education. This reflected the movement of $16,000,000 of funds of the TLP as originally provided for in the South Carolina Code of Laws to another State designated program within the State's Department of Education (see Note 16).

Historically, the TLP has been included in the Corporation's consolidated financial statements due to the structure of the Corporation's administrator role as defined in the South Carolina Code of Laws. The Teacher Loan Fund reflects all transactions of the TLP and has historically been classified as "temporarily restricted" since the funds were to be used for continued funding of the TLP. As a result of the appropriations action of the State directing movement of monies from Fund 41L1 by the State Treasurer for use other than for the TLP, management of the Corporation concluded that the previously exclusive TLP activity supported by assets of the TLP and the nature of the relationship with the State has changed. Thus, management concluded that a change in accounting policy was appropriate and reclassified the net assets related to the TLP as of July 1, 2015 to a liability account. Included in this reclassification was the $411,348 fund balance for the Governor's Teacher Scholarship Loan Program.

The Commission on Higher Education in consultation with the State Department of Education and the Corporation developed the Governor's Teacher Scholarship Loan Program to provide talented and qualified State residents loans not to exceed $5,000 a year to attend public or private colleges and universities for the purpose of becoming certified teachers employed in the public schools of South Carolina. Recipients of a loan are entitled to have 100% of the amount of the loan plus accrued interest cancelled if he/she becomes certified and teaches in a South Carolina public school for at least five years. The Corporation began making loans under this program during 1990; however, due to lack of funding through State appropriations, the program ceased after the 1997-1998 academic year.

During the fiscal year ended June 30, 1996, the Corporation began making and servicing supplemental loans through the Palmetto Assistance Loan ("PAL") Program. The PAL Program offered supplemental loans for students and parents of students enrolled at least half-time in an eligible school and for fourth year medical students with specified federal loans originated through the Corporation who were seeking funds for their residency and relocation. These loans were funded from Corporation accumulated unrestricted net assets and bond funds. The Corporation discontinued offering this PAL Program during December 2008.

Note 1. Summary of Significant Accounting Policies, Continued

Overall operating arrangement, continued:

During the fiscal year ended June 30, 2010, the Corporation restructured the PAL Program and began marketing the restructured program. The new PAL Program restricts the offering of loans only to 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 Authority dated November 5, 2009.

The Corporation began disbursing PAL Program in-school loans out of the Corporation's unrestricted net assets during 2012 for students attending schools in South Carolina or for South Carolina residents attending an eligible school within the United States.

During May 2013, the Corporation began offering PAL Program Consolidation Loans. This PAL Program Consolidation Loan restricted the offering of loans to students who were in a grace period or post-enrollment repayment status and in good standing on all education loans being consolidated. The student was required to have a FICO score of 670 or above and a debt to income ratio of 30% or less. The student was also required to have loans made for attendance at Title IV eligible schools located in the United States, be a South Carolina resident or a nonresident with eligible loans made for attendance at eligible in-state schools, and not be incarcerated. These consolidation loans were funded from available funds of the Corporation. During August 2014, this program was terminated due to lower volume attributed to a new federal consolidation loan program allowing both FFEL Program and Direct Loan Program loans to be consolidated into one federal consolidation loan.

During mid-2015, the Corporation began offering the Palmetto Assistance Loan Refinancing Loan ("PAL ReFi") Program through an initial targeted direct mailing to eligible South Carolina residents who obtained federal Parent Loan for Undergraduate Student (PLUS) loans on or after July 1, 2010. A minimum FICO score of 700 is required as part of the determination of the creditworthiness of each applicant. These loans are funded from available unrestricted funds of the Corporation.

During the fiscal year ended June 30, 2018, the Corporation made adjustments to the interest rates for the PAL Program. Borrowers may receive a range of 3.99% to 6.99% fixed rates depending upon their credit score and enrolled payment option. The required minimum FICO credit score remained at 670. Parent borrowers now have the option of applying for the PAL Program loan in their name for a benefiting student. Fixed interest rates for the PAL Refi Program loan were changed to 4.24%, 5.24% and 6.24%, respectively, dependent upon the length of the repayment term selected by the borrower. These loans are funded from available unrestricted funds of the Corporation.

The Health Care and Education Reconciliation Act of 2010 nationalized the federally-guaranteed student loan program mandating that all federal student loans made on or after July 1, 2010 be originated by the USDE. Without the ability to continue to originate these federal loans, the Corporation's student loan portfolio steadily decreased and reached a level which was not economically feasible to continue to service in-house. After entering into a contract with National Education Loan Network ("Nelnet") to perform the servicing function on the Corporation's behalf for FFEL loans, the Corporation formally began transitioning its student loan servicing function to Nelnet and completed the conversion of FFEL loans on August 19, 2016.

Note 1. Summary of Significant Accounting Policies, Continued

Overall operating arrangement, continued:

Transition of private loans to Firstmark Services, a division of Nelnet, was completed on January 13, 2017. Loans outstanding for the TLP are scheduled to transition to a sub-servicer during the fiscal year ending June 30, 2019.

Basis of accounting:

These statements are prepared using the accrual basis 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 and subsidiaries including ELS/CP, PIHI, and SC3. Historically, the consolidated financial statements also included the Teacher Loan Fund due to the structure of the Corporation's administrator role as defined in the South Carolina Code of Laws. As discussed in the *Overall Operating Agreement* section of this note, the Corporation no longer includes the Teacher Loan Fund in its consolidated Statement of Activities. However, the Teacher Loan Fund is included on the consolidated Statement of Financial Position of the Corporation as a liability due to the State. All material inter-corporation accounts and transactions of the consolidated subsidiaries 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 are considered unrestricted. These net assets, including those designated by the Corporation's Board of Directors, 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 are considered temporarily restricted. These net assets consist of accumulated assets and liabilities for the general resolutions of outstanding bonds.

Permanently restricted net assets:

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

Note 1. Summary of Significant Accounting Policies, Continued

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; 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.

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, 2018, all of the Corporation's cash was held in institutions that are covered by federal depository insurance; however, some demand deposit accounts exceeded the federally insured limit. The Corporation monitors each of these institutions for financial deterioration characteristics on a continuous basis, and as of June 30, 2018, believed each institution is well-capitalized with no going concern issues.

Investments:

Investments are classified as available-for-sale and initially recorded at cost with adjustments for amortization of premiums or discounts over the level yield method. Thereafter, investments are recorded at fair value and any changes in unrealized gains or losses are recorded through the Consolidated Statement of Activities. Realized gains or losses on sale of investments are determined using the specific identification method.

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 $9,976,181 at June 30, 2018. The Corporation maintains $1,309,353 as a liability at June 30, 2018, for the undisbursed funds from the TLP. 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.

Note 1. Summary of Significant Accounting Policies, Continued

Student loans - provision for losses:

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 Program loans and losses related to servicing all guaranteed loans by the Corporation that are not covered by its financings (See Note 6). The Corporation makes no provision for losses on student loans securing any of its financings as all of the borrowings disclosed in Note 7 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 Program loans 180 days or more past due. The allowance for loan losses was $27,177,636 at June 30, 2018 (see Note 6 on Federal Reinsurance of FFEL Program loans).

Property and equipment:

The Corporation's 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 thirty-nine years for the building.

Amortization of deferred cost of issuance of bonds and bond premiums and accretion of bond discounts:

The 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 interest on debt.

Compensated absences:

Annual leave is earned at the rate of twelve to twenty-five days per year depending on length of employment. Employees are expected to use at least one week (five consecutive days) each year. Earned, but unused, annual leave will be paid when an employee terminates his/her employment. Sick leave is earned at the rate of ten 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 income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the Corporation's tax positions and concluded that the Corporation has 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 2015. EdVantage is also exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated EdVantage's tax positions and concluded that EdVantage had no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. PIHI is a taxable entity. Management has evaluated PIHI'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. No income tax provision is needed at this time.

Note 1. Summary of Significant Accounting Policies, Continued

Recently issued accounting pronouncements:

During August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40)*, providing guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The guidance from this accounting standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if "conditions or events raise substantial doubt about the entity's ability to continue as a going concern." The guidance from this accounting standard applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Corporation adopted this accounting standard during the fiscal year ended June 30, 2017. This accounting standard did not have a material effect on the Corporation's consolidated financial statements.

During April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30)*, that requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. This accounting standard affects disclosures related to debt issuance costs but does not affect existing recognition and measurement guidance for these items. This accounting standard is effective for fiscal years beginning after December 15, 2015, and interim periods beginning after December 15, 2016, with early adoption permitted. The Corporation adopted this accounting standard during the fiscal year ended June 30, 2015 and applied it retrospectively. This accounting standard did not have a material effect on the Corporation's consolidated financial statements.

During February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. This accounting standard establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases.

The new guidance (1) results in a more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases; (2) results in fewer opportunities for organizations to structure leasing transactions to achieve a particular accounting outcome on the statement of financial position; (3) improves understanding and comparability of lessees' financial commitments regardless of the manner they choose to finance the assets used in their businesses; (4) aligns lessor accounting and sale and leaseback transactions guidance more closely to comparable guidance in Topic 606, *Revenue from Contracts with Customers*, and Topic 610, *Other Income*; (5) provides users of financial statements with additional information about lessors' leasing activities and lessors' exposure to credit and asset risk as a result of leasing; and (6) clarifies the definition of a lease to address practice issues that were raised about the previous definition of a lease and to align the concept of control, as it is used in the definition of a lease, more closely with the control principle in both Topic 606 and Topic 810, *Consolidation*. The new guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the potential effects of this accounting standard on the Corporation's consolidated financial statements.

During August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, with the goal of improving not-for-profit entity financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users.

Note 1. Summary of Significant Accounting Policies, Continued

Recently issued accounting pronouncements, continued:

The guidance from this accounting standard significantly changes how not-for-profit entities present net assets on the face of the financial statements, as well as requires additional disclosures for expenses by nature and function and for the liquidity and availability of resources.

This accounting standard represents the first major change to not-for-profit financial statement presentation since the mid-1990s, and marks the completion of the first phase of the FASB's project related to not-for-profit financial reporting. The second phase is focused on defining the term "operations" and aligning the presentation of measures of operations in the statement of activities with measures of operations in the statement of cash flows. This guidance from this accounting standard will be effective for annual financial statements for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the potential effects of this accounting standard on the Corporation's consolidated financial statements.

During November 2016, the FASB released Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230)*, and the amendments in this accounting standard apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments in this accounting standard require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this accounting standard do not provide a definition of restricted cash or restricted cash equivalents.

The amendments in this accounting standard are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption during an interim period. If an entity early adopts the amendments during an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments in this accounting standard should be applied using a retrospective transition method to each period presented. Management is currently evaluating the potential effects of this accounting standard on the Corporation's consolidated financial statements.

During August 2018, the FASB released Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820)* to amend the disclosure requirements for fair value measurement. The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the concepts in the FASB's Concepts Statement, *Conceptual Framework for Financial Reporting - Chapter 8: Notes to Financial Statements*, including the consideration of costs and benefits. The amendments of this Update include the removal, modifications and additions of certain disclosure requirements.

The following disclosure requirements were removed from Topic 820: (1) The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; (2) The policy for timing of transfers between levels; (3) The valuation processes for Level 3 fair value measurements; and (4) For nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period.

Note 1. Summary of Significant Accounting Policies, Continued

Recently issued accounting pronouncements, continued:

The following disclosure requirements were modified in Topic 820: (1) In lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities; (2) For investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly; and (3) the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date.

The following disclosure requirements were added to Topic 820; however, the disclosures are not required for nonpublic entities: (1) The changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (2) The range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements.

The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this Update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date. Management is currently evaluating the potential effects of this accounting standard on the Corporation's consolidated financial statements.

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 consolidated financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent events:

In preparing these financial statements, management has evaluated events and transactions for potential recognition and disclosure through September 28, 2018, the date these financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

As of June 30, 2018, 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	$ 6,753	$ 6,753
Collateralized demand deposits	11,808,656	11,808,656
Money market	29,474,883	29,474,883
Total unrestricted	$ 41,290,292	$ 41,290,292
Temporarily restricted		
Collateralized demand deposits	$ 34,188	$ 34,188
Money market	67,348,919	67,348,919
South Carolina State Treasurer pool	12,478,742	12,531,721
Guaranteed investment contracts	27,226,913	27,226,913
Total temporarily restricted	$ 107,088,762	$ 107,141,741

Included in the cash and cash equivalents for temporarily restricted funds is a total of $12,531,721 of the TLP fund that resides in the South Carolina State Treasurer Pool.

Note 3. Investments

The market value of investments is determined by quoted market values and consists of the following as of June 30, 2018:

	Cost	Market Value
Mutual funds	$ 7,297,762	$ 8,375,528
Corporate stocks/bonds	56,095,503	57,298,723
Insured deposits/repurchase obligations	121,057,989	121,057,989
Total	$ 184,451,254	$ 186,732,240

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 Consolidated Statement of Financial Position.

Note 4. Investment in Educational Loan Services, LLC ("ELS") d/b/a Campus Partners

On November 23, 2011, the Corporation signed a contract with Educational Loan Servicing, LLC ("ELS") d/b/a Campus Partners ("CP") as a vendor to provide a platform and servicing functionality sufficient to meet the requirements for servicing USDE direct loans. Subsequently on February 1, 2012, the Corporation purchased 27.67% ownership of ELS for $4,000,000 from JPT Partners ("JPT"), which was the sole owner of all equity of ELS, with an option to purchase from JPT an additional 23.33% at a later date for $3,500,000 for a total ownership of 51.00%. As a result of several delays by CP in providing the contracted servicing platform for Direct Loans, the Corporation evaluated its current investment in ELS and declined to make the additional $3,500,000 investment. On June 20, 2012, the Corporation made an offer under certain conditions to CP to provide a revocable line of credit for $6,000,000 for a term of three years at a rate of prime plus 1.50% to provide CP 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 the Corporation, as the Corporation 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 with three members appointed by the Corporation and two members appointed by JPT. All decisions would be 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 the Corporation to provide the line of credit. On July 30, 2012, the Corporation extended the revocable $6,000,000 line of credit to CP and as a result of the conditions to provide the note, the Corporation obtained an additional 23.33% of ELS for a total ownership of 51.00%. On February 26, 2013, the Corporation purchased the remaining 49.00% of equity in CP from ELS for a purchase price of $1,245,000, resulting in an ownership of 100.00% of CP.

On June 11, 2015, ELS entered into an agreement with Heartland Payment Systems, Inc. ("HPS, Inc.") resulting in the sale of all CP customer contracts to HPS, Inc. The contract included managing the servicing, accounting and processing of Perkins and institutional student loans for higher education institutions. Under the terms of the agreement, for a specified period, CP continued to coordinate certain transition services needed by HPS, Inc. to perform under the terms of the contracts using CP's servicing system. CP also shared in the contract revenue with HPS, Inc. as specified in the agreement. As a result of this transaction, the $13,396,336 note payable from CP to the Corporation was reduced to $920,000 at June 30, 2015. The Corporation recorded a valuation allowance of $12,476,336 on the note for the year ended June 30, 2015. CP recorded income for cancellation of debt related to the valuation allowance for $12,476,336 on the note payable for the year ended June 30, 2015. These amounts were eliminated in the consolidated financial statements.

On July 15, 2016, ELS entered into an agreement with Heartland Payment Systems, LLC ("HPS, LLC") resulting in the sale of the majority of the remaining assets of CP including contracts with vendors, the "Campus Partners" name and stated trademark registrations, and other specified assets related to the servicing of customer contracts sold to HPS, Inc. in the June 11, 2015 agreement. Under the new agreement, HPS, LLC's assumption of responsibility for the contracts with vendors was completed through either an assignment of the contract from ELS/CP to HPS, LLC as provided for by the vendor or negotiation of a new contract between HPS, LLC and the vendor coupled with termination of any existing contract that ELS/CP had with the respective vendor. The purchase price of the assets was $724,165. The term for the shared revenue related to the June 11, 2015 agreement was adjusted to end as of May 31, 2016.

Note 5. Amounts Due from (to) the South Carolina State Education Assistance Authority

As of June 30, 2018, the Authority owes the Corporation funds collected on their behalf of $657,308, 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 of $39,835,008 (see Note 7) and $403,178 for deferred costs of issuance on the 2009 PAL General Resolution.

Note 6. Federal Family Education Loans and Federal Reinsurance Loans

During the fiscal year ended June 30, 2018, these loans were bearing interest at fixed rates ranging from 2.87% to 9.00% or an annual variable rate of 3.28% to 4.47%. 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 preceding June 1, plus 1.70% to 3.25% with a cap on the rate of 8.25% to 12.00%. The repayment period for these loans is five to thirty years with a minimum payment of $360 or $600 per year, except in the case of income-based repayment plans. Repayment of principal may be scheduled to begin within sixty days of final disbursement or six to ten months after the student graduates or ceases to be enrolled on at least a half-time basis in an eligible institution.

Certain borrowers may elect an income-based repayment plan, which can result in a payment amount less than is required to fully pay principal on the loan. After twenty-five years in the income-based repayment plan, any remaining debt is discharged.

The USDE insures loans against death or disability at 100% and default 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 at June 30, 2018 are $1,255,130,132.

Loans may or may not be subsidized. Interest is paid on subsidized loans during the enrolled, grace and deferred periods by the USDE. 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/received after July 1, 2010, due to the Corporation no longer originating FFEL Program loans.

The Health Care and Education Reconciliation Act of 2010 ("HCRA") was signed into law on March 30, 2010, requiring all new federal student loans to be originated through the Federal Direct Loan Program as of July 1, 2010. The Corporation's ability to originate FFEL Program loans terminated on June 30, 2010. As a result, the Corporation's servicing revenues were reduced year over year as the aggregate loan portfolio being serviced by the Corporation began to decline. This trend has continued and is reflected in reductions in the FFEL portfolio primarily due to consolidation of these loans to the Direct Loan Consolidation Program offered by the USDE and receipt of normal borrower payments. Additionally, since the FFEL Program was the major component of the Corporation's lending activity, it is expected that the future asset growth and related earnings on that portion of the asset growth will continue to be impacted. The Corporation is currently evaluating the potential impact on its future revenue stream and is also currently exploring alternative revenue sources to offset the impact of the declining FFEL portfolio. The potential impact cannot be reasonably predicted.

Note 7. Bonds Payable

The Corporation issued bonds for the first time during 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 five 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 transactions for each bond resolution are accounted for in a resolution specific fund. These funds are considered temporarily restricted as described in the *Temporarily restricted net assets* section of Note 1 and are included in the Corporation's consolidated financial statements.

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, 2018, the Corporation held funds on deposit as restricted cash in the debt service funds of $14,211,020.

The bonds outstanding as of June 30, 2018, are as follows:

Issued	Original Amount	Maturity Date	Balance Outstanding June 30, 2017	Issued (Retired)	Balance Outstanding June 30, 2018
July 19, 2005	$ 700,000,000	12/3/2018 - 12/1/2023	$ 113,021,000	$ (83,367,000)	$ 29,654,000
July 11, 2006	500,000,000	12/2/2019 - 12/1/2022	21,110,000	(21,110,000)	-
June 25, 2008	600,000,000	9/2/2014 - 9/3/2024	143,073,641	(39,580,035)	103,493,606
November 30, 2010	920,000,000	1/25/2021 - 10/27/2036	414,585,232	(72,009,997)	342,575,235
February 20, 2013	323,620,000	1/25/2041	164,354,844	(30,687,006)	133,667,838
August 20, 2014	501,500,000	4/1/2030 - 8/1/2035	501,500,000	-	501,500,000
November 25, 2015	198,400,000	1/25/2036	161,071,170	(25,667,450)	135,403,720
			1,518,715,887	$ (272,421,488)	1,246,294,399
Less: unamortized costs of issuance			(27,304,756)		(22,924,472)
			$ 1,491,411,131		$ 1,223,369,927

London Interbank Offered Rate (LIBOR) Indexed Bonds Secured by 1996 General Resolution:

The Corporation's LIBOR Indexed Bonds in the 1996 General Resolution totaled $531,154,000 as of June 30, 2018, and have variable interest rates equal to three-month LIBOR plus 0.12% to 0.14%, as adjusted quarterly, or one-month LIBOR plus 0.75% to 1.5%, as adjusted monthly. Throughout the fiscal year ended June 30, 2018, none of the rates exceeded 3.592%. Future interest payment projections are based upon the ten-year weighted average rate at June 30, 2018, which was 1.794%.

The 2005 and 2006 LIBOR Indexed Bonds are subject to pro rata principal reduction payments prior to maturity based on targeted amortization schedules set forth in the 1996 General Resolution. The principal and interest payments on the 2005 and 2006 Series bonds are paid quarterly on the distribution dates (the first business day of each March, June, September and December).

Note 7. Bonds Payable, Continued

London Interbank Offered Rate (LIBOR) Indexed Bonds Secured by 1996 General Resolution, continued:

On August 20, 2014, the Corporation issued $501,500,000 of Education Loan Revenue Bonds, 2014 Series, under the 1996 General Resolution. Proceeds of the issue were used to: (i) pay target amortization payments for prior bonds within the 1996 General Resolution that had not been satisfied prior to the 2014 Series issuance, (ii) finance repurchased education loans held as unencumbered assets of the Corporation, (iii) fund certain accounts and funds required under the 1996 General Resolution including the Supplemental Reserve Fund, the General Revenue Fund, the Senior Lien Account and the Subordinate Lien Account of the Debt Service Fund, and (iv) pay cost of issuance. A portion of the Supplemental Reserve Fund has been used to meet the targeted amortization payments as scheduled during the fiscal year ended June 30, 2018 for the 2005 and 2006 Series bonds.

The interest payments for the 2014 Series bonds are paid on the distribution dates (the first business day of each month). No principal payments for the 2014 Series bonds will be paid until the 2005 and 2006 Series bonds are paid in full.

LIBOR Notes Secured by the 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 three-month 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 A-1 and A-2 notes have been 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 the 2008-1 General Resolution had a balance of $103,493,606 as of June 30, 2018.

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 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 FFEL Program 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.

Note 7. Bonds Payable, Continued

LIBOR Notes Secured by the 2010-1 General Resolution, continued:

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 A-1 notes have been paid in full. The LIBOR 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 LIBOR Notes secured by the 2010-1 General Resolution had a balance of $342,575,235 as of June 30, 2018.

LIBOR Notes Secured by the 2013-1 General Resolution:

On February 20, 2013, the Corporation issued $323,620,000 of Student Loan Backed Notes, 2013-1 Series, with a variable interest rate of one-month LIBOR plus 0.50%. Proceeds of the issue were used to (i) prepay the Corporation's Funding Note under the Straight A Funding federal conduit, (ii) refinance the Corporation's credit facility with the Royal Bank of Canada, (iii) fund a distribution to the Corporation for the pledge of certain FFEL Program loans, (iv) fund the Debt Service Reserve Fund, (v) fund the Capitalized Interest Fund, and (vi) pay cost of issuance.

Principal and interest on the LIBOR Notes is to be paid on each distribution date (the twenty-fifth day of each month, or the next business day if such day is not a business day). The LIBOR 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 LIBOR Notes secured by the 2013-1 General Resolution had a balance of $133,667,838 as of June 30, 2018.

LIBOR Notes Secured by the 2015-A General Resolution:

On November 25, 2015, the Corporation issued $198,400,000 of Student Loan Backed Notes, 2015-A Series, with a variable interest rate of 1-month LIBOR plus 1.50%. Proceeds of the issue were used to (i) fund the purchase pursuant to the Corporation's Tender Offer of the Auction Rate Securities issued by the 2004 Trust together with accrued interest, (ii) fund the redemption at par of the portion of the remaining Auction Rate Securities issued by the Corporation's 2004 Trust together with accrued interest, (iii) fund the Collection Fund, (iv) fund the Debt Service Reserve Fund, (v) fund the Operating Fund, (vi) fund the Department Reserve fund and (vii) pay costs of issuance.

Principal and interest payments for the LIBOR Notes are paid on each distribution date (the twenty-fifth day of each month, or the next business day if such day is not a business day) beginning January 25, 2016. The LIBOR 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 LIBOR Notes secured by the 2015-1 General Resolution had a balance of $135,403,720 as of June 30, 2018.

Note 7. Bonds Payable, Continued

Projected debt service:

As of June 30, 2018, the scheduled debt service to retire the bonds and notes of the Corporation is as follows:

	Principal	Interest	Total
2019	$ 29,654,000	$ 32,180,491	$ 61,834,491
2020	61,587,902	31,716,065	93,303,967
2021	-	30,873,817	30,873,817
2022	-	30,873,817	30,873,817
2023	-	30,873,817	30,873,817
2024	-	30,873,817	30,873,817
2025	41,905,704	30,305,954	72,211,658
2026	257,135,496	26,593,240	283,728,736
2027	-	25,421,085	25,421,085
2028	-	25,421,085	25,421,085
2029	-	25,421,085	25,421,085
2030	328,000,000	25,421,085	353,421,085
2031	-	19,440,315	19,440,315
2032	-	19,440,315	19,440,315
2033	100,500,000	18,982,185	119,482,185
2034	-	17,607,793	17,607,793
2035	-	17,607,793	17,607,793
2036	208,403,720	14,029,596	222,433,316
2037	85,439,739	7,939,766	93,379,505
2038	-	7,311,919	7,311,919
2039	-	7,311,919	7,311,919
2040	-	7,311,919	7,311,919
2041	133,667,838	4,425,109	138,092,947
	$ 1,246,294,399	$ 487,383,987	$ 1,733,678,386

The weighted average interest rate used for future interest payment projections was 1.794%. This estimate is inherently subjective and the rate may change significantly in the future.

As outlined in the 2008-1 General Resolution, the 2010-1 General Resolution, the 2013-1 General Resolution and the 2015-1 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 loans receivable. At June 30, 2018, the Corporation estimated they would make optional redemption or principal distribution payments for the next fiscal year in the amount of approximately $174,000,000.

Note 8. Notes Payable - Finance Loans

Each bond resolution of the Authority requires that all funds advanced to the Corporation 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 General Resolution 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 fiscal year ended June 30, 2010 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. During October 2013, the Corporation contributed $6,717,492 of PAL Program loans from its unrestricted portfolio to the 2009 PAL General Resolution. The net asset balance was ($1,736,837) at June 30, 2018. The notes payable - finance loan balance as of June 30, 2018 was $35,323,565.

Note 9. Special Allowance Income or Expense

Special allowance was instituted to ensure 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, 2018, the Corporation remitted $18,309,815 of interest income in excess of the special allowance support level to the USDE.

Note 10. Employee Benefit Plans

Effective August 1, 2015, the Corporation changed the trustee for its benefit plans from BB&T or TIAA CREF to USI Consulting Group Inc. This change included the South Carolina Student Loan Corporation Money Purchase Pension Plan, the South Carolina Student Loan Corporation Defined Benefit Plan, the South Carolina Student Loan Corporation 403(b) Defined Contribution Plan, the South Carolina Student Loan Corporation Tax Deferred Annuity Group Supplemental Retirement Annuity and the South Carolina Student Loan Corporation 457(b) Deferred Compensation Plan. However, any contributions to the South Carolina Student Loan Corporation Tax Deferred Annuity ("TDA") Group Supplemental Retirement Annuity ("GSRA") prior to July 1, 2015 remain in that plan with the prior trustee, TIAA CREF, until paid out to the participant under the terms of a release or transferred to another qualified plan as directed by the participant and allowed by the annuity terms.

Note 10. Employee Benefit Plans, Continued

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 twenty-one. The MPPP was originally established on July 1, 1975. 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 annually. A participant is 20% vested after two years of 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 during the year following the plan year in which the forfeiture occurs. Contributions within the plan are employee self-directed. The total retirement expense for the fiscal year ended June 30, 2018 was $155,748 and is fully funded. The MPPP experienced a partial termination on August 18, 2016 due to the reduction in workforce at the Corporation. Therefore, all contributions to the MPPP were immediately 100% vested for affected employees.

403(b) Defined Contribution Plan:

Effective July 1, 2015, the Corporation consolidated the South Carolina Student Loan Corporation 403(b) Defined Contribution Plan and the South Carolina Student Loan Corporation TDA GSRA into a single plan known as the South Carolina Student Loan Corporation 403(b) Defined Contribution Plan ("403(b) DC Plan"). The 403(b) DC Plan continues to offer the same provisions as the previous separate plans, but is now administered under one plan for both the non-elective and pre-tax deferral contribution types.

Prior to the consolidation, the South Carolina Student Loan Corporation 403(b) Defined Contribution Plan, as established on November 5, 2002 and subsequently amended on January 1, 2009, provided for the non-elective type of contribution. The 403(b) DC Plan continued to provide for a 5% contribution based on the participant's total annual compensation. All employees who have completed one year of service and attainment of age twenty-one are eligible to receive employer contributions. Contributions are 100% vested immediately with investment of the contributions within the plan being employee self-directed.

Established on January 1, 1995 and subsequently amended on January 1, 2009, the South Carolina Student Loan Corporation TDA GSRA provided the pre-tax deferral (elective) type of contribution. As a part of the 403(b) DC Plan beginning July 1, 2015, employees continue to be eligible to participate in the elective portion of the 403(b) DC Plan 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.

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 DBP covers substantially all employees with a minimum of one year of service and twenty-one 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 thirty 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 this 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 consolidated financial statements at June 30, 2018:

Change in projected benefit obligation:	
Projected benefit obligation at June 30, 2017	$ 17,507,249
Service cost	223,699
Interest cost	665,450
Actuarial (gain) loss	(733,419)
Benefits paid	(633,581)
Curtailments	(44,491)
Projected benefit obligation at June 30, 2018	$ 16,984,907
Change in fair value of plan assets:	
Fair value of plan assets at June 30, 2017	$ 18,430,316
Actual return on assets	1,351,207
Employer contributions	328,920
Benefits paid	(633,581)
Fair value of plan assets at June 30, 2018	$ 19,476,862
Funded status	$ 2,491,955
Amounts recognized in the Consolidated Statement of Financial Position:	
Noncurrent assets	$ 2,491,955
Amounts recognized in the Consolidated Statement of Activities:	
Net (gain) loss	$ 1,734,295

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, 2018 and 2017. The measurement date of the projected benefits obligation and plan assets was June 30, 2018.

	2018	2017
Assumptions used		
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.17%	3.83%
Rate of compensation increase	4.00%	4.00%
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	3.83%	3.58%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	4.00%	4.00%

The Corporation's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plan's 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 for the year ended June 30, 2018 are as follows:

Net periodic benefit cost	
Service cost	$ 223,699
Interest cost	665,450
Expected return on plan assets	(1,277,456)
Amortization of accumulated gain (loss)	198,370
Net periodic benefit cost	(189,937)
Administrative expenses	(165,957)
Net periodic benefit cost	$ (355,894)
Employee benefit - related changes other than net periodic pension cost	
Net gain (loss)	$ (851,661)
Amortization of loss	(198,370)
Employee benefit - related changes other than net periodic benefit cost	$ (1,050,031)
Total net periodic benefit cost and employee benefit - related changes other than net periodic benefit cost	$ (1,405,925)

Note 10. Employee Benefit Plans, Continued

Defined Benefit Pension Plan, continued:

The net pension (gain) loss for the DBP totaled ($1,405,925) plus $165,957 of administrative expenses, totaling ($1,239,968) for the fiscal year ended June 30, 2018. The accumulated benefit obligation for the DBP was $16,239,883 at June 30, 2018.

The DBP experienced a partial termination on August 18, 2016 due to the reduction in workforce at the Corporation. Therefore, all contributions to the DBP were immediately 100% vested for affected employees. The DBP's plan assets include life insurance policies and mutual funds. See the target asset allocation below.

The Corporation's target asset allocation as of June 30, 2018, by asset category, is as follows:

Money market	1.42%
Debt securities	33.38%
Equity securities	60.83%
Insurance policies	4.37%
	100.00%

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 asset allocation percentages (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.

The Corporation does not expect to make contributions to its DBP during the fiscal year ended June 30, 2019.

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

2019	$	698,000
2020		729,000
2021		746,000
2022		787,000
2023		822,000
2024-2028		4,684,000

Note 11. Rental Property, Operating Leases and Commitments

The Corporation owns and conducts its business from an office building in the northeast area of Columbia, South Carolina. The entire building is utilized by the Corporation. However, prior to the Authority and Corporation establishing a contractual relationship effective July 1, 2017, certain lease expense was charged to the Authority based on space occupied in the building. In addition, the Corporation leases computer software and mail room equipment for terms of thirty-six to sixty month periods. Required minimum lease payments are $11,107 for the fiscal year ending June 30, 2019.

Non-Recourse Sale Agreements - CP entered into three non-recourse sale agreements during 2008. The sale agreements were consummated to transfer all rights, title and interest in private student loans retained on CP's balance sheet in early 2008, and contained customary representations and warranties with respect to the condition of the private student loans as of the sale dates. As of June 30, 2018, CP does not have any repurchase obligations with respect to breaches of the customary representations and warranties contained in these sale agreements, and views the probability of any future repurchase obligations as remote.

Note 12. Assets Released from Restrictions

Net assets during the fiscal year ended June 30, 2018 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Interest on debt	$ 38,874,734
Payments to South Carolina State Education Assistance Authority for student loan income	2,139,915
Loan fees	6,289,295
Reinsurance expense	1,434,725
Borrowers incentives	4,267,636
Broker dealer fees	265,550
Loan loss expense	1,599,301
Total expenses	54,871,156
Transfer from taxable bonds/financings for loan servicing	9,557,595
Total	$ 64,428,751

Note 13. Disclosures About Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1: Observable, unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets and inputs other than quoted prices, such as interest rates, yield curves and prepayment speeds.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

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 or similar quoted market rates. Management believes that the student loans receivable's carrying value approximates fair value based on like sale of student loans within the industry. Management also believes that debt instruments' carrying value 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	$ 148,379,054	$ 148,432,033
Investments	184,451,254	186,732,240
Student loans receivable, net	1,483,511,309	1,483,511,309
Teacher loans receivable, net	31,290,014	31,290,014
Financial liabilities		
Notes payable	$ 35,323,565	$ 35,323,565
Bonds payable, net	1,223,369,927	1,223,369,927

Note 13. Disclosures About Fair Value of Financial Instruments, Continued

	June 30, 2018	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	$ 148,432,033	$ 148,432,033	$ -	$ -
Insured deposits/repurchase obligations	121,057,989	121,057,989	-	-
Mutual funds	8,375,528	8,375,528	-	-
Corporate bonds	57,298,723	-	57,298,723	-
Student loans receivable, net	1,483,511,309	-	1,483,511,309	-
Teacher loans receivable, net	31,290,014	-	31,290,014	-
Total financial assets	$ 1,849,965,596	$ 277,865,550	$ 1,572,100,046	$ -
Financial liabilities				
Notes payable	$ 35,323,565	$ -	$ 35,323,565	$ -
Bonds payable, net	1,223,369,927	-	1,223,369,927	-
Total financial liabilities	$ 1,258,693,492	$ -	$ 1,258,693,492	$ -

Note 14. Board Designated Net Assets

During the fiscal year ended June 30, 2006, the Board designated funds to establish the Mackie Scholarship Fund to award scholarships to employees or family members of employees. As of June 30, 2018, $100,000 is available for future scholarships.

Note 15. Accounting Change

As described in Note 1, during the fiscal year ended June 30, 2017, the Appropriations Act authorized the State Treasurer to transfer $16,000,000 from Fund 41L1 to the State’s Department of Education to be used for the School Districts Capital Improvement Plan as set forth in the same Appropriations Act. In light of this new legislation by the State, the Corporation made the decision to change its accounting policy for the TLP to properly reflect the new fiduciary nature of the TLP in its consolidated financial statements. As a result of this change in accounting policy, the Corporation reclassified the TLP's net assets to a payable due to the State. All revenues and expenses were recognized directly to this liability instead of being reported on the consolidated Statement of Activities. In order to implement this change in accounting policy, the TLP's beginning net assets as of July 1, 2015 were restated by $52,294,824. As a result of this accounting change during the fiscal year ended June 30, 2017, the TLP's change in net assets of $4,192,731 for the fiscal year ended June 30, 2018 were reclassified as an increase to the payable due to the State as of June 30, 2018.

Note 16. Teacher Loan Program Fiscal Year 2018 Activity

As discussed in Note 1, the Corporation is the administrator for the TLP. For the fiscal year ended June 30, 2018, the Corporation received $5,810,172 in appropriations from the State Department of Education for the purpose of issuing new teacher loans. Loans are cancelled 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 as set forth in the South Carolina Code of Laws. These loans are repaid by the borrower in the event the borrower does not teach in a critical subject and/or location.

Note 16. Teacher Loan Program Fiscal Year 2018 Activity, Continued

For the fiscal year ended June 30, 2018, the TLP cancelled $4,302,118 of teacher loans. The activities of the TLP are summarized below:

Revenues:	
Unsubsidized student loan interest	$ 2,775,466
Late charges	30,655
Miscellaneous payments of student loans	(204)
State appropriations - State Department of Education	5,810,172
Investment income	214,903
Other	(5,571)
	8,825,421
Expenses:	
Contractual services	325,420
Borrower incentives	5,152
TLP cancellations	4,302,118
	4,632,690
Additions to payable to the State	4,192,731
Reductions to payable to the State	(16,000,000)
Payable to the State, beginning	58,402,584
Payable to the State, ending	$ 46,595,315

During June 2017, the Fiscal Year 2017-2018 State Appropriations Act was finalized and became effective July 1, 2017. It authorized the State Treasurer to transfer $16,000,000 from Fund 41L1 to the State's Department of Education to be used for the School Districts Capital Improvement Plan as set forth in the same Appropriations Act. For the fiscal year ended June 30, 2017, the Corporation recorded a liability of $16,000,000 to the State in the Teacher Loan Program Fund. On August 8, 2017, the transfer of these funds occurred, thereby reducing the TLP's liability to the State.

Note 17. Subsequent Events

As described in Note 14, during the fiscal year ended June 30, 2006, the Board designated funds to establish the Mackie Scholarship Fund to award scholarships to employees or family members of employees. At the August 14, 2018 Board meeting, the Board effectively ended the program and these monies are no longer restricted for the purpose of making future scholarships.

South Carolina Student Loan Corporation
Consolidated Schedule of Financial Position By Fund - Unrestricted
As of June 30, 2018

	Operating/SLC	Campus Partners	PIHI	SC3	Eliminations	Total
Assets						
Current assets						
Cash and cash equivalents	$ 40,207,274	$ 1,070,554	$ 7,462	$ 5,002	$ -	$ 41,290,292
Investments	187,972,240	-	(540,000)	(700,000)	-	186,732,240
Current portion of student loans receivable	11,026,052	-	-	-	-	11,026,052
Interest due from borrowers	882,360	-	-	-	-	882,360
Accounts receivable	947,120	-	-	-	(920,000)	27,120
Due from subsidiaries	107,244	-	(107,244)	-	-	-
Due from United States Department of Education	11,117	-	-	-	-	11,117
Due from servicers	54,787	-	-	-	-	54,787
Due from South Carolina State Education Assistance Authority	35,321	-	-	-	-	35,321
Accrued investment income	123,704	-	-	-	-	123,704
Prepaid expenses	1,305,656	-	-	-	-	1,305,656
Due from other funds	404,398	-	-	-	-	404,398
Total current assets	243,077,273	1,070,554	(639,782)	(694,998)	(920,000)	241,893,047
Long-term receivables and other assets						
Student loans receivable, net of current portion and allowance for loan loss for $27,177,636	76,950,280	-	-	-	-	76,950,280
Overfunded defined benefit plan	2,491,955	-	-	-	-	2,491,955
Due from other funds	20,942,464	-	-	-	-	20,942,464
Total long-term receivables and other assets	100,384,699	-	-	-	-	100,384,699
Property and equipment						
Land	364,900	-	-	-	-	364,900
Building	4,358,670	-	-	-	-	4,358,670
Furniture and equipment	2,822,500	-	-	-	-	2,822,500
Automobiles	113,046	-	-	-	-	113,046
Less accumulated depreciation	(3,301,583)	-	-	-	-	(3,301,583)
Net property and equipment	4,357,533	-	-	-	-	4,357,533
Total assets	$ 347,819,505	$ 1,070,554	$ (639,782)	$ (694,998)	$ (920,000)	$ 346,635,279
Liabilities and Net Assets						
Current liabilities						
Current maturities of notes payable - finance loans	$ -	$ 920,000	$ -	$ -	$ (920,000)	$ -
Accounts payable	1,740,827	-	-	-	-	1,740,827
Unearned revenues	277,886	-	-	-	-	277,886
Customer refunds payable	8,658	-	-	-	-	8,658
Compensated absences	1,009,437	-	-	-	-	1,009,437
Due to South Carolina State Education Assistance Authority	155	-	-	-	-	155
Due to United States Department of Education	8,270	-	(106,044)	106,044	-	8,270
Total current liabilities	3,045,233	920,000	(106,044)	106,044	(920,000)	3,045,233
Total liabilities	3,045,233	920,000	(106,044)	106,044	(920,000)	3,045,233
Net assets (deficit)						
Board designated for scholarships	100,000	-	-	-	-	100,000
Unrestricted	344,674,272	150,554	(533,738)	(801,042)	-	343,490,046
Total net assets (deficit)	344,774,272	150,554	(533,738)	(801,042)	-	343,590,046
Total liabilities and net assets (deficit)	$ 347,819,505	$ 1,070,554	$ (639,782)	$ (694,998)	$ (920,000)	$ 346,635,279

South Carolina Student Loan Corporation

Consolidated Schedule of Financial Position by Fund - Temporarily Restricted

As of June 30, 2018

	Teacher Loans	96 Resolution	08 Resolution	2010-1 Resolution	2013-1 Resolution	Tax Exempt 09 PAL Resolution	2015 Resolution	Total Temporarily Restricted
Assets								
Current assets								
Cash and cash equivalents	$ 12,531,721	$ 53,077,169	$ 7,193,094	$ 24,417,904	$ 6,508,939	$ 34,189	$ 3,378,725	$ 107,141,741
Current portion of student loans receivable	-	70,097,135	31,236,839	61,986,124	24,860,105	6,916,627	16,079,622	211,176,452
Current portion of teacher loans receivable	2,006,114	-	-	-	-	-	-	2,006,114
Interest due from borrowers	3,895,325	11,824,108	4,301,717	11,393,192	5,706,133	313,508	1,915,063	39,349,046
Accounts receivable	2,673	-	-	-	-	-	-	2,673
Due from United States Department of Education	-	344,573	-	-	-	-	-	344,573
Due from servicers	-	735,929	226,219	549,655	291,618	-	320,485	2,123,906
Due from South Carolina State Education Assistance Authority	184,935	-	-	-	-	434,192	2,860	621,987
Accrued investment income	-	39,714	7,550	30,677	10,179	-	-	88,120
Prepaid expenses	-	6,071	-	20,990	21,343	-	11,875	60,279
Due from (to) other funds	-	82,397	(57,619)	(194,848)	(77,634)	469	(157,163)	(404,398)
Total current assets	18,620,768	136,207,096	42,907,800	98,203,694	37,320,683	7,698,985	21,551,467	362,510,493
Long-term receivables and other assets								
Student loans receivable, net of current portion and allowance for loan loss of $27,177,636	-	460,106,237	122,414,647	297,733,811	115,923,892	26,445,922	161,734,016	1,184,358,525
Teacher loans receivable, net of current portion and allowance for loan cancellations of $9,976,181	29,283,900	-	-	-	-	-	-	29,283,900
Due to other funds	-	-	-	(20,942,464)	-	-	-	(20,942,464)
Total long-term receivables and other assets	29,283,900	460,106,237	122,414,647	276,791,347	115,923,892	26,445,922	161,734,016	1,192,699,961
Total assets	$ 47,904,668	$ 596,313,333	$ 165,322,447	$ 374,995,041	$ 153,244,575	$ 34,144,907	$ 183,285,483	$ 1,555,210,454
Liabilities and Net Assets								
Current liabilities								
Current maturities of notes payable - finance loans	$ -	$ -	$ -	$ -	$ -	$ 6,916,628	$ -	$ 6,916,628
Current maturities of bonds payable	-	106,817,731	33,043,919	59,185,693	24,051,282	-	17,110,777	240,209,402
Interest payable	-	1,268,807	287,197	2,162,881	57,725	-	81,042	3,857,652
Unearned revenues	-	-	-	-	-	558,179	-	558,179
Teacher loan liability	1,309,353	-	-	-	-	-	-	1,309,353
Due to United States Department of Education	-	340,783	133,588	1,078,777	718,782	-	30,769	2,302,699
Total current liabilities	1,309,353	108,427,321	33,464,704	62,427,351	24,827,789	7,474,807	17,222,588	255,153,913
Noncurrent liabilities								
Notes payable - finance loans, net of current maturities	-	-	-	-	-	28,406,937	-	28,406,937
Bonds payable, net of current maturities	-	419,254,718	70,449,688	280,306,695	108,261,696	-	104,887,728	983,160,525
Payable to the State, net of current portion	46,595,315	-	-	-	-	-	-	46,595,315
Due to South Carolina State Education Assistance Authority	-	-	-	39,835,008	-	-	-	39,835,008
Total noncurrent liabilities	46,595,315	419,254,718	70,449,688	320,141,703	108,261,696	28,406,937	104,887,728	1,097,997,785
Total liabilities	47,904,668	527,682,039	103,914,392	382,569,054	133,089,485	35,881,744	122,110,316	1,353,151,698
Net assets (deficit)								
Temporarily restricted for bond indentures current debt service	-	14,211,020	-	-	-	-	-	14,211,020
Temporarily restricted for bond indentures	-	54,420,274	61,408,055	(7,574,013)	20,155,090	(1,736,837)	61,175,167	187,847,736
Total net assets (deficit)	-	68,631,294	61,408,055	(7,574,013)	20,155,090	(1,736,837)	61,175,167	202,058,756
Total liabilities and net assets	$ 47,904,668	$ 596,313,333	$ 165,322,447	$ 374,995,041	$ 153,244,575	$ 34,144,907	$ 183,285,483	$ 1,555,210,454

South Carolina Student Loan Corporation

Consolidated Schedule of Activities By Fund - Unrestricted

For the year ended June 30, 2018

	Operating/SLC	Campus Partners	PIHI	SC3	Eliminations	Total
Revenues						
Income from United States Department of Education:						
Student loan interest - subsidized	$ 42,644	$ -	$ -	$ -	$ -	$ 42,644
Special allowances	(112,334)	-	-	-	-	(112,334)
Student loan interest - unsubsidized	5,098,510	-	-	-	-	5,098,510
Investment income	3,000,743	-	-	-	-	3,000,743
Unrealized gain on investments	693,771	-	-	-	-	693,771
Late charges	55,524	-	-	-	-	55,524
Miscellaneous payments of student loans	210	-	-	-	-	210
Remittance from South Carolina						
State Education Assistance Authority for operating costs	411,940	-	-	-	-	411,940
Servicing fees	368,920	-	-	-	-	368,920
Other	250,234	-	-	106,500	-	356,734
Total revenues	9,810,162	-	-	106,500	-	9,916,662
Expenses						
Personnel	2,101,963	-	-	273,285	-	2,375,248
Contractual services	5,587,702	-	-	2,192	-	5,589,894
General operating	1,177,335	2,726	6,901	19,761	-	1,206,723
Loan fees	57,039	-	-	-	-	57,039
Reinsurance expense	22,166	-	-	-	-	22,166
Borrower incentives	16,184	-	-	-	-	16,184
Building expense	239,943	-	-	-	-	239,943
Loan loss expense	1,380,261	-	-	-	-	1,380,261
Total expenses	10,582,593	2,726	6,901	295,238	-	10,887,458
Transfers between accounts						
Transfers in	50,551,437	-	-	-	-	50,551,437
Transfers out	(40,993,842)	-	-	-	-	(40,993,842)
Total transfers between accounts	9,557,595	-	-	-	-	9,557,595
Changes in net assets	8,785,164	(2,726)	(6,901)	(188,738)	-	8,586,799
Net assets (deficit)						
Beginning	335,989,108	153,280	(526,837)	(612,304)	-	335,003,247
Ending	$ 344,774,272	$ 150,554	$ (533,738)	$ (801,042)	$ -	$ 343,590,046

South Carolina Student Loan Corporation

Consolidated Schedule of Activities by Fund - Temporarily Restricted

For the year ended June 30, 2018

	Teacher Loans	96 Resolution	08 Resolution	2010-1 Resolution	2013-1 Resolution	Tax Exempt 09 PAL Resolution	2015 Resolution	Total
Revenues								
Income from United States Department of Education:								
Student loan interest - subsidized	$ -	$ 1,783,466	$ 876,155	$ 2,135,728	$ 876,752	$ 36,215	$ 186,331	$ 5,894,647
Special allowances	-	(2,608,141)	(2,304,027)	(8,133,205)	(4,752,094)	(11,277)	(388,737)	(18,197,481)
Student loan interest - unsubsidized	-	26,610,669	7,989,154	21,610,985	9,361,846	2,393,900	8,839,877	76,806,431
Investment income	-	746,768	107,196	254,316	79,368	-	49,855	1,237,503
Late charges	-	419,671	203,285	316,630	142,835	38,428	129,097	1,249,946
Miscellaneous payments of student loans	-	4,706	2,478	5,000	2,633	38	534	15,389
Total revenues	-	26,957,139	6,874,241	16,189,454	5,711,340	2,457,304	8,816,957	67,006,435
Expenses								
Interest on debt	-	15,191,753	3,250,349	11,079,628	3,124,388	-	6,228,616	38,874,734
Payments to South Carolina State Education Assistance Authority for student loan income	-	-	-	-	-	2,139,915	-	2,139,915
Loan fees	-	4,402,194	-	1,654,001	60,022	-	173,078	6,289,295
Reinsurance expense	-	522,395	158,893	361,427	325,426	6,230	60,354	1,434,725
Borrower incentives	-	2,273,769	325,263	1,349,836	-	101,325	217,443	4,267,636
Broker dealer fees	-	98,073	29,884	61,129	38,387	-	38,077	265,550
Loan loss expense	-	-	-	-	-	323,912	1,275,389	1,599,301
Total expenses	-	22,488,184	3,764,389	14,506,021	3,548,223	2,571,382	7,992,957	54,871,156
Transfers between accounts								
Transfers out	-	(3,175,562)	(773,621)	(2,564,705)	(1,032,833)	-	(2,010,874)	(9,557,595)
Total transfers between accounts	-	(3,175,562)	(773,621)	(2,564,705)	(1,032,833)	-	(2,010,874)	(9,557,595)
Changes in net assets	-	1,293,393	2,336,231	(881,272)	1,130,284	(114,078)	(1,186,874)	2,577,684
Net assets (deficit)								
Beginning	-	67,337,901	59,071,824	(6,692,741)	19,024,806	(1,622,759)	62,362,041	199,481,072
Ending	$ -	$ 68,631,294	$ 61,408,055	$ (7,574,013)	$ 20,155,090	$ (1,736,837)	$ 61,175,167	$ 202,058,756

South Carolina Student Loan Corporation

Consolidated Schedule of Cash Flows By Fund - Unrestricted

For the year ended June 30, 2018

	Operating/SLC	Campus Partners	PIHI	SC3	Total
Cash flows from operating activities					
Changes in net assets	$ 8,785,164	$ (2,726)	$ (6,901)	$ (188,738)	$ 8,586,799
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:					
Depreciation	356,652	-	-	-	356,652
Unrealized gain on investments	(693,771)	-	-	-	(693,771)
Loan loss expense	1,380,261	-	-	-	1,380,261
Changes in operating assets and liabilities:					
Decrease in due from South Carolina State Education Assistance Authority	82,951	-	-	-	82,951
Increase in interest due from borrowers	(227,815)	-	-	-	(227,815)
(Increase) decrease in accounts receivable	(27,120)	-	-	66,000	38,880
Decrease in due from United States Department of Education	30,229	-	-	-	30,229
Increase in due from servicers	(16,876)	-	-	-	(16,876)
Increase in accrued investment income	(82,834)	-	-	-	(82,834)
(Increase) decrease in due from subsidiaries	(61,689)	-	61,689	-	-
Increase in prepaid expenses	(1,178,450)	-	-	-	(1,178,450)
Increase in overfunded defined benefit plan	(1,568,888)	-	-	-	(1,568,888)
Decrease in due from other funds	135,177	-	-	-	135,177
Decrease in accounts payable	(73,803)	-	-	-	(73,803)
Decrease in unearned revenues	(54,307)	-	-	-	(54,307)
Decrease in defined benefit plan obligation	(165,303)	-	-	-	(165,303)
Decrease in compensated absences	(438,497)	-	-	-	(438,497)
Decrease in customer refunds payable	(114,317)	-	-	-	(114,317)
Increase (decrease) in due to United States Department of Education	(25,984)	-	(60,489)	60,489	(25,984)
Increase in due to South Carolina State Education Assistance Authority	118	-	-	-	118
Net cash provided by (used for) operating activities	6,040,898	(2,726)	(5,701)	(62,249)	5,970,222
Cash flows from investing activities					
Purchases of property and equipment	(169,376)	-	-	-	(169,376)
Net changes in student loans receivable	(11,923,632)	-	-	-	(11,923,632)
Net purchases of investments	(1,352,784)	-	-	-	(1,352,784)
Net cash used for investing activities	(13,445,792)	-	-	-	(13,445,792)
Net decrease in cash and cash equivalents	(7,404,894)	(2,726)	(5,701)	(62,249)	(7,475,570)
Cash and cash equivalents					
Beginning	47,612,168	1,073,280	13,163	67,251	48,765,862
Ending	$ 40,207,274	$ 1,070,554	$ 7,462	$ 5,002	$ 41,290,292

South Carolina Student Loan Corporation

Consolidated Schedule of Cash Flows By Fund - Temporarily Restricted

For the year ended June 30, 2018

	Teacher Loans	96 Resolution	08 Resolution	2010-1 Resolution	2013-1 Resolution	Tax Exempt 09 PAL Resolution	2015 Resolution	Total
Cash flows from operating activities								
Changes in net assets	$ -	$ 1,293,393	$ 2,336,231	$ (881,272)	$ 1,130,284	$ (114,078)	$ (1,186,874)	$ 2,577,684
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:								
Amortization of bond discounts	-	1,205,511	-	656,231	-	-	-	1,861,742
Loan loss expense	-	-	-	-	-	323,912	1,275,389	1,599,301
Changes in operating assets and liabilities:								
(Increase) decrease in due from South Carolina State Education Assistance Authority	(3,941)	(27)	-	-	-	61,956	(347)	57,641
(Increase) decrease in interest due from borrowers	(583,896)	(1,831,714)	(722,750)	(1,694,234)	(787,802)	38,172	(175,824)	(5,758,048)
(Increase) decrease in accounts receivable	(2,674)	-	-	-	-	-	-	(2,674)
Increase in due from United States Department of Education	-	(344,573)	-	-	-	-	-	(344,573)
(Increase) decrease in due from servicers	-	(64,677)	158,127	548,935	74,954	-	(235,216)	482,123
(Increase) decrease in accrued investment income	-	(23,172)	655	(16,304)	(6,481)	-	-	(45,302)
(Increase) decrease in prepaid expenses	-	627	12,706	1,690	997	-	(3)	16,017
Increase in due to other funds	394	(44,827)	(14,008)	(39,074)	(16,998)	(438)	(20,226)	(135,177)
Increase in interest payable	-	300,157	29,907	478,227	10,719	-	8,127	827,137
Decrease in unearned revenues	-	-	-	-	-	(138,827)	-	(138,827)
Increase in teacher loan liability	338,725	-	-	-	-	-	-	338,725
Decrease in payable to the State	(11,807,269)	-	-	-	-	-	-	(11,807,269)
Decrease in due to United States Department of Education	-	(796,122)	(386,671)	(1,202,972)	(585,766)	-	(66,545)	(3,038,076)
Net cash provided by (used for) operating activities	(12,058,661)	(305,424)	1,414,197	(2,148,773)	(180,093)	170,697	(401,519)	(13,509,576)
Cash flows from investing activities								
Net changes in student loans receivable	-	97,802,818	37,353,300	72,136,591	31,377,712	6,907,074	23,998,090	269,575,585
Net changes in teacher loans receivable	(709,138)	-	-	-	-	-	-	(709,138)
Net cash provided by (used for) investing activities	(709,138)	97,802,818	37,353,300	72,136,591	31,377,712	6,907,074	23,998,090	268,866,447
Cash flows from financing activities								
Net changes in notes payable - finance loans	-	-	-	-	-	(7,078,209)	-	(7,078,209)
Net payments on bonds payable	-	(104,151,881)	(39,580,035)	(71,612,121)	(30,602,767)	-	(23,956,146)	(269,902,950)
Net cash used for financing activities	-	(104,151,881)	(39,580,035)	(71,612,121)	(30,602,767)	(7,078,209)	(23,956,146)	(276,981,159)
Net increase (decrease) in cash and cash equivalents	(12,767,799)	(6,654,487)	(812,538)	(1,624,303)	594,852	(438)	(359,575)	(21,624,288)
Cash and cash equivalents								
Beginning	25,299,520	59,731,656	8,005,632	26,042,207	5,914,087	34,627	3,738,300	128,766,029
Ending	$ 12,531,721	$ 53,077,169	$ 7,193,094	$ 24,417,904	$ 6,508,939	$ 34,189	$ 3,378,725	$ 107,141,741
Supplemental disclosure of cash flow information								
Cash payments for interest	$ -	$ 13,360,964	$ 3,220,442	$ 9,547,294	$ 3,029,429	$ -	$ -	$ 29,158,129

South Carolina Student Loan Corporation

Consolidated Schedule of Property and Equipment

For the year ended June 30, 2018

	Balance as of June 30, 2017	Additions	Disposals	Balance as of June 30, 2018
Cost				
Land	$ 364,900	$ -	$ -	$ 364,900
Total land	364,900	-	-	364,900
Building	4,358,670	-	-	4,358,670
Total buildings	4,358,670	-	-	4,358,670
SCSLC furniture and fixtures	2,653,124	169,376	-	2,822,500
SCSLC automobiles	113,046	-	-	113,046
Cost total	7,489,740	169,376	-	7,659,116
Accumulated depreciation				
Building	620,235	111,761	-	731,996
Total buildings	620,235	111,761	-	731,996
SCSLC furniture and fixtures	2,234,977	227,514	-	2,462,491
SCSLC automobiles	89,719	17,377	-	107,096
Accumulated depreciation total	2,944,931	356,652	-	3,301,583
Net book value	$ 4,544,809	$ (187,276)	$ -	$ 4,357,533

South Carolina Student Loan Corporation

Schedule of Expenses for the Operating Fund

For the year ended June 30, 2018

	Operating/SLC	
	2018	**2017**
Operating expenses		
Personnel		
Staff salaries	$ 2,673,376	$ 4,433,423
Social security	138,633	250,014
Group insurance	182,207	356,265
Retirement	(914,039)	(2,627,410)
Unemployment	21,786	8,747
Total personnel	2,101,963	2,421,039
Contractual		
Loan servicing	1,051,991	983,913
Third party servicing fees	4,035,765	3,280,720
Legal	309,578	392,704
Accounting	162,431	172,927
Skip tracing	3,158	8,442
Credit bureau	24,779	25,550
Total contractual	5,587,702	4,864,256
General operating		
Rent	(5,000)	(69,548)
Telephone	70,634	55,588
Printing	7,273	97,001
Postage	28,872	136,827
Supplies	15,608	19,062
Travel	30,173	64,262
Equipment maintenance	54,619	123,444
Subscriptions and fees	79,838	58,245
Meeting and conference expenses	137,883	134,126
Insurance - general and automotive	61,609	53,565
Outreach and awareness	215,126	236,166
Depreciation	356,652	414,101
Third party collections	95,804	29,143
Other operating expense and contingencies	28,244	43,471
Total general operating	1,177,335	1,395,453
Total personnel, contractual services and general operating expenses	$ 8,867,000	$ 8,680,748

South Carolina Student Loan Corporation

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Education Programs		
Federal Family Education Loan Program		
Special allowances (See Note 2 below)	84.032	See Note 2 Below
Subsidized interest	84.032	$ 5,937,291
Total U.S. Department of Education Programs (Major program)		$ 5,937,291

Notes to the Schedule of Expenditures of Federal Awards:

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The financial activity shown in this schedule reflects amounts recorded by the Corporation during the fiscal year ended June 30, 2018.

2. Special Allowances: The USDE now requires lenders to pay the USDE when lenders have negative special allowance. The Corporation paid $18,309,815 for the year ended June 30, 2018.

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
South Carolina Student Loan Corporation
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of South Carolina Student Loan Corporation (the "Corporation"), as of and for the year ended June 30, 2018, and the related notes to the consolidated financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Elliott Davis, LLC

Columbia, South Carolina
September 28, 2018

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We were engaged to audit South Carolina Student Loan Corporation's (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2018. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit, conducted in accordance with auditing standards generally accepted in the United States of America, of the types of compliance requirements referred to above.

Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance for the Corporation's major federal program.

Basis for Disclaimer of Opinion on Federal Family Education Loan Program - Lenders

As permitted in the *OMB Compliance Supplement*, the Corporation elected to use a third-party servicer to administer the requirements governing Special Tests and Provisions one through nine in accordance with the requirements of the Federal Family Education Loan Program - Lenders. Those requirements govern functions performed by National Education Loan Network, Inc. ("Nelnet"). Nelnet obtained a compliance attestation engagement under the January 2011 *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* ("Lender Servicer Audit Guide") for the year ended December 31, 2017. We did not perform any auditing procedures with respect to the Lender Servicer Audit Guide, except for confirming that the audit period of Nelnet's compliance attestation engagement for the year ended December 31, 2017 was completed timely. Since the audit period of Nelnet is different than that of the Corporation, we also obtained a representation from Nelnet that they have engaged (or will engage) an auditor to perform the required audit under the Lender Service Audit Guide for the immediate subsequent audit period.

Basis for Disclaimer of Opinion on Federal Family Education Loan Program - Lenders, Continued

Likewise, we confirmed that Nelnet's compliance attestation engagement for the year ended December 31, 2017, together with its compliance attestation engagement for the year ended December 31, 2018, covers the Corporation's audit engagement for the year ended June 30, 2018. Our report does not include the results of the auditor's examination of Nelnet's compliance with such requirements.

Disclaimer of Opinion on Federal Family Education Loan Program - Lenders

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Corporation's compliance with the requirements of the Federal Family Education Loan Program - Lenders.

Other Matter

The results of our auditing procedures disclosed a matter which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001. As described in the *Basis for Disclaimer of Opinion* paragraphs above, this matter resulted in a disclaimer of opinion on the major federal program.

The Corporation's response to the disclosed matter identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Corporation's internal control over compliance.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control Over Compliance, Continued

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Elliott Davis, LLC

Columbia, South Carolina
September 28, 2018

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:			Unmodified	
Internal control over financial reporting:				
• Material weakness(es) identified?	_____	Yes	X	No
• Significant deficiency(ies) identified?	_____	Yes	X	None reported
Noncompliance material to financial statements noted?	_____	Yes	X	No

Federal Awards

Internal control over major federal programs:				
• Material weakness(es) identified?	_____	Yes	X	No
• Significant deficiency(ies) identified?	_____	Yes	X	None reported
Type of auditor's report issued on compliance for major federal programs:			Disclaimer	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance?	X	Yes (See Section III.)		
	_____	No		

Identification of major federal programs:

CFDA #	Program / Cluster Name
84.032	Federal Family Education Loan Program (Lenders)

Dollar threshold used to distinguish between Type A and Type B programs	$750,000			
Auditee qualified as low-risk auditee?	X	Yes	_____	No

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

Item 2018-001: United States Department of Education, Federal Family Education Loan Program - Lenders – CFDA No. 84.032, For the Year Ended June 30, 2018

Condition: The Corporation elected to use a third-party servicer organization to service its Federal Family Education Loan Program - Lenders ("FFEL Program") loan portfolio and perform the corresponding lender functions**.** As such, we issued a disclaimer of opinion related to the Corporation's compliance with requirements one through nine of the FFEL Program's Special Tests and Provisions as reflected in the *OMB Compliance Supplement* as a result of the scope limitation.

***Criteria*:** The FFEL Program's Special Tests and Provisions are as follows: Individual Record Review; Interest Benefits; Special Allowance Payments, Loan Sales, Purchases, and Transfers; Enrollment Reports; Payment Processing; Due Diligence in Collection of Delinquent Loans; Timely Claim Filings; and Curing Due Diligence and Timely Filing Violations.

Context: Part 4-84.032-L of the *OMB Compliance Supplement* allows auditors of lenders to exclude coverage of compliance requirements performed by a third-party servicer, provided that the auditor has determined that the third-party servicer has obtained an audit under the January 2011 *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* ("Lender Servicer Audit Guide") for the entire audit period of the lender. If the third-party servicer has a different audit period, the auditor of the lender must determine that the most recently required audit of the third-party servicer under the Lender Servicer Audit Guide has been completed timely, and must obtain representation from the third-party servicer that it has engaged (or will engage) an auditor to perform the required audit under the Lender Servicer Audit Guide for the immediate subsequent period. The auditor of the lender must confirm that the audit period of the prior third-party servicer audit, covers the entire audit period of the lender's audit. If the auditor excludes coverage of the requirements performed by a third-party servicer, the *Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance* must clearly describe the compliance requirements for which coverage has been excluded, name the third-party servicer that performed those compliance requirements, state that the third-party servicer has obtained an audit performed under the Lender Servicer Audit Guide issued by the United States Department of Education and specify the period of that audit.

***Cause*:** The Special Tests and Provisions requirements are performed by a third-party servicer organization.

***Effect*:** The Special Tests and Provisions requirements were not tested by the Corporation's external auditor for the year ended June 30, 2018 since such requirements are performed by the third-party servicer organization.

***Recommendation*:** Management should continue to monitor the third-party servicer's audit reports to ensure the Special Tests and Provisions requirements are audited each year and that the audits are performed timely.

***Views of Responsible Officials and Planned Corrective Actions*:** Management agrees with this recommendation and will continue to monitor the third-party servicer's audit reports.