

**South Carolina Student
Loan Corporation**

Report on Consolidated Financial Statements

For the year ended June 30, 2021

South Carolina Student Loan Corporation

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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, 2021, the related consolidated statements of activities, functional expenses 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 consolidated 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, 2021, 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 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 30, 2021, 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.



Columbia, South Carolina
September 30, 2021

South Carolina Student Loan Corporation
Consolidated Statement of Financial Position
As of June 30, 2021 (with comparative amounts for 2020)

	2021			2020
	Without Restrictions	With Restrictions	Total	Totals Memorandum Only
Assets				
Current assets				
Cash and cash equivalents	\$ 7,341,095	\$ 69,983,552	\$ 77,324,647	\$ 64,292,416
Investments	302,819,253	-	302,819,253	202,463,035
Current portion of student loans receivable	3,642,821	133,305,228	136,948,049	71,721,217
Current portion of teacher loans receivable	-	2,334,818	2,334,818	3,083,159
Interest due from borrowers	700,460	44,525,892	45,226,352	46,225,199
Accounts receivable	19,613	-	19,613	8,289
Due from servicers	(81,243)	1,479,728	1,398,485	993,371
Due from South Carolina State Education Assistance Authority	39,208	442,508	481,716	598,458
Accrued investment income	-	515	515	3,226
Prepaid expenses	399,633	87,644	487,277	593,391
Due from (to) other funds	115,104	(115,104)	-	-
Total current assets	<u>314,995,944</u>	<u>252,044,781</u>	<u>567,040,725</u>	<u>389,981,761</u>
Long-term receivables and other assets				
Student loans receivable, net of current portion and allowance for loan loss of \$36,669,385	21,079,286	839,930,406	861,009,692	1,044,107,375
Teacher loans receivable, net of current portion and allowance for loan cancellations of \$8,769,636	-	29,658,207	29,658,207	27,683,308
Overfunded defined benefit plan	1,643,796	-	1,643,796	681,776
Due from (to) other funds	20,942,464	(20,942,464)	-	-
Total long-term receivables and other assets	<u>43,665,546</u>	<u>848,646,149</u>	<u>892,311,695</u>	<u>1,072,472,459</u>
Property and equipment				
Land	364,900	-	364,900	364,900
Building	4,358,670	-	4,358,670	4,358,670
Furniture and equipment	4,951,078	-	4,951,078	4,670,122
Automobiles	80,030	-	80,030	80,030
Less accumulated depreciation	(5,089,339)	-	(5,089,339)	(4,302,002)
Net property and equipment	<u>4,665,339</u>	<u>-</u>	<u>4,665,339</u>	<u>5,171,720</u>
Total assets	<u>\$ 363,326,829</u>	<u>\$ 1,100,690,930</u>	<u>\$ 1,464,017,759</u>	<u>\$ 1,467,625,940</u>

See Notes to Consolidated Financial Statements

(Continued)

South Carolina Student Loan Corporation
Consolidated Statement of Financial Position
As of June 30, 2021 (with comparative amounts for 2020)

	2021		Total	2020
	Without Restrictions	With Restrictions		Totals Memorandum Only
Liabilities and Net Assets				
Current liabilities				
Current maturities of notes payable - finance loans	\$ -	\$ 4,045,047	\$ 4,045,047	\$ 3,110,750
Current maturities of bonds payable	-	121,528,640	121,528,640	78,254,393
Interest payable	-	1,001,632	1,001,632	1,275,780
Accounts payable	1,916,235	-	1,916,235	1,967,841
Unearned revenues	114,967	132,408	247,375	421,508
Customer refunds payable	49,715	-	49,715	7,246
Teacher loan liability	-	1,411,846	1,411,846	958,136
Compensated absences	132,386	-	132,386	1,054,551
Due to United States Department of Education	63,960	4,308,831	4,372,791	4,456,429
Total current liabilities	<u>2,277,263</u>	<u>132,428,404</u>	<u>134,705,667</u>	<u>91,506,634</u>
Noncurrent liabilities				
Notes payable - finance loans, net of current maturities	-	9,123,938	9,123,938	16,489,147
Bonds payable, net of current maturities	-	618,676,827	618,676,827	704,285,633
Payable to the State of South Carolina	-	56,839,669	56,839,669	53,689,721
Due to South Carolina State Education Assistance Authority	-	39,835,008	39,835,008	39,835,008
Total noncurrent liabilities	<u>-</u>	<u>724,475,442</u>	<u>724,475,442</u>	<u>814,299,509</u>
Total liabilities	<u>2,277,263</u>	<u>856,903,846</u>	<u>859,181,109</u>	<u>905,806,143</u>
Net Assets				
Net assets with restrictions				
Bond indentures - current debt service	-	73,455,312	73,455,312	4,609,241
Bond indentures	-	170,331,772	170,331,772	207,121,228
Total net assets with restrictions	<u>-</u>	<u>243,787,084</u>	<u>243,787,084</u>	<u>211,730,469</u>
Net assets without restrictions				
Board designated for Power:Ed	20,553,840	-	20,553,840	15,000,000
Undesignated	340,495,726	-	340,495,726	335,089,328
Total net assets without restrictions	<u>361,049,566</u>	<u>-</u>	<u>361,049,566</u>	<u>350,089,328</u>
Total net assets	<u>361,049,566</u>	<u>243,787,084</u>	<u>604,836,650</u>	<u>561,819,797</u>
Total liabilities and net assets	<u>\$ 363,326,829</u>	<u>\$ 1,100,690,930</u>	<u>\$ 1,464,017,759</u>	<u>\$ 1,467,625,940</u>

See Notes to Consolidated Financial Statements

South Carolina Student Loan Corporation
Consolidated Statement of Activities
For the year ended June 30, 2021 (with comparative amounts for 2020)

	2021			2020
	Without Restrictions	With Restrictions	Total	Totals Memorandum Only
Revenues				
Income from United States Department of Education:				
Student loan interest - subsidized	\$ 88,508	\$ 2,409,916	\$ 2,498,424	\$ 3,931,875
Special allowances	(315,963)	(18,929,302)	(19,245,265)	(13,095,983)
Student loan interest - unsubsidized	1,742,244	51,335,116	53,077,360	63,605,906
Investment income	8,865,353	15,212	8,880,565	3,197,452
Unrealized (loss) gain on investments	30,406,311	-	30,406,311	(191,427)
Late charges and miscellaneous payments	8,803	403,132	411,935	943,295
Servicing fees	308,393	-	308,393	361,758
Miscellaneous (loss) income	5,666	-	5,666	(58,303)
Other income	413,684	-	413,684	576,269
Net assets released from restrictions	3,177,459	(3,177,459)	-	-
Total revenues	<u>44,700,458</u>	<u>32,056,615</u>	<u>76,757,073</u>	<u>59,270,842</u>
Expenses				
Personnel	2,669,054	-	2,669,054	4,216,941
Contractual services	4,784,910	-	4,784,910	4,993,743
General operating	2,738,545	-	2,738,545	2,317,263
Interest on debt	12,527,618	-	12,527,618	26,218,932
Payments to South Carolina State Education Assistance Authority for student loan income	978,799	-	978,799	1,270,881
Loan fees	4,116,708	-	4,116,708	4,731,361
Reinsurance expense	514,595	-	514,595	1,043,218
Borrower incentives	2,827,592	-	2,827,592	3,308,369
Broker dealer fees	230,531	-	230,531	224,669
Loan loss expense	2,351,868	-	2,351,868	5,126,135
Total expenses	<u>33,740,220</u>	<u>-</u>	<u>33,740,220</u>	<u>53,451,512</u>
Changes in net assets	10,960,238	32,056,615	43,016,853	5,819,330
Net assets				
Beginning	350,089,328	211,730,469	561,819,797	556,000,467
Ending	<u>\$ 361,049,566</u>	<u>\$ 243,787,084</u>	<u>\$ 604,836,650</u>	<u>\$ 561,819,797</u>

See Notes to Consolidated Financial Statements

South Carolina Student Loan Corporation
Consolidated Statement of Functional Expenses
For the year ended June 30, 2021

	Program Expenses		Supporting Services	Total Expenses
	PAL and PAL Refi	FFEL	Management and General	
Operating				
Personnel				
Staff salaries	\$ 2,364,424	\$ 295,553	\$ 295,553	\$ 2,955,530
Social security	140,120	17,515	17,515	175,150
Group insurance	181,465	22,683	22,683	226,831
Retirement	(569,310)	(71,164)	(71,164)	(711,638)
Unemployment	18,545	2,318	2,318	23,181
Total personnel	<u>2,135,244</u>	<u>266,905</u>	<u>266,905</u>	<u>2,669,054</u>
Contractual				
Information technology	868,675	108,584	108,584	1,085,843
Third party servicing fees	889,116	1,672,508	-	2,561,624
Legal and professional	31,327	-	752,858	784,185
Accounting	-	-	178,827	178,827
Skip tracing	1,750	-	-	1,750
Credit bureau	72,164	-	-	72,164
Loan servicing	100,517	-	-	100,517
Total contractual	<u>1,963,549</u>	<u>1,781,092</u>	<u>1,040,269</u>	<u>4,784,910</u>
Total operating	<u>4,098,793</u>	<u>2,047,997</u>	<u>1,307,174</u>	<u>7,453,964</u>
General operating				
Telephone	38,588	4,823	4,823	48,234
Printing	5,948	743	743	7,434
Postage	4,204	526	526	5,256
Supplies	13,352	1,669	1,669	16,690
Travel	7,675	959	959	9,593
Equipment maintenance	(217)	(27)	(27)	(271)
Subscriptions and fees	86,088	10,761	10,761	107,610
Meetings and conferences	178,413	22,302	22,302	223,017
Insurance - general and automotive	56,778	7,097	7,097	70,972
Outreach and awareness	565,296	-	15,417	580,713
Depreciation	-	-	787,337	787,337
Building	-	-	201,503	201,503
Third party collections	48,934	-	-	48,934
Other operating expense and contingencies	-	-	631,523	631,523
Total general operating	<u>1,005,059</u>	<u>48,853</u>	<u>1,684,633</u>	<u>2,738,545</u>
Student loans				
Loan fees	-	4,116,708	-	4,116,708
Reinsurance expense	-	514,595	-	514,595
Borrower incentives	201,357	2,626,235	-	2,827,592
Loan loss expense	2,351,868	-	-	2,351,868
Broker dealer fees	32,224	198,307	-	230,531
Payments to South Carolina State Education Assistance				
Authority for student loan income	693,871	284,928	-	978,799
Interest on debt	1,798,077	10,729,541	-	12,527,618
Total student loans	<u>5,077,397</u>	<u>18,470,314</u>	<u>-</u>	<u>23,547,711</u>
Total functional expenses	<u>\$ 10,181,249</u>	<u>\$ 20,567,164</u>	<u>\$ 2,991,807</u>	<u>\$ 33,740,220</u>

See Notes to Consolidated Financial Statements

South Carolina Student Loan Corporation

Consolidated Statement of Cash Flows

For the year ended June 30, 2021 (with comparative amounts for 2020)

	2021			2020
	Without Restrictions	With Restrictions	Total	Totals Memorandum Only
Cash flows from operating activities				
Changes in net assets	\$ 10,960,238	\$ 32,056,615	\$ 43,016,853	\$ 5,819,330
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:				
Depreciation	787,337	-	787,337	720,680
Unrealized (gain) loss on investments	(30,406,311)	-	(30,406,311)	191,427
Amortization of bond discounts and bond issuance costs	-	1,271,595	1,271,595	1,730,969
Loan loss expense	(1,213,262)	3,565,130	2,351,868	5,126,135
Changes in operating assets and liabilities:				
Due from South Carolina State Education Assistance Authority	(10,777)	128,653	117,876	9,043
Interest due from borrowers	1,412,045	(413,199)	998,846	(3,662,874)
Accounts receivable	(11,334)	-	(11,334)	947,406
Due from United States Department of Education	-	-	-	726,299
Due from servicers	181,550	(586,656)	(405,106)	454,494
Accrued investment income	-	2,711	2,711	77,857
Prepaid expenses	131,555	708	132,263	(102,002)
Defined benefit plan	(962,020)	-	(962,020)	962,540
Due from (to) other funds	88,474	(88,972)	(498)	2,129
Interest payable	-	(274,148)	(274,148)	(2,078,649)
Accounts payable	(52,536)	(25,770)	(78,306)	222,708
Unearned revenues	(54,306)	(119,824)	(174,130)	(205,485)
Compensated absences	(922,165)	-	(922,165)	39,659
Teacher loan liability	-	453,711	453,711	(114,205)
Customer refunds payable	42,389	-	42,389	(24,919)
Payable to the State of South Carolina	-	3,149,948	3,149,948	3,029,693
Due to United States Department of Education	8,738	(92,376)	(83,638)	3,050,345
Net cash provided by (used for) operating activities	(20,020,385)	39,028,126	19,007,741	16,922,580
Cash flows from investing activities				
Purchases of property and equipment	(280,956)	-	(280,956)	(427,792)
Net changes in student loans receivable	89,618,676	25,900,306	115,518,982	165,330,357
Net changes in teacher loans receivable	-	(1,226,558)	(1,226,558)	772,882
Net changes in investments	(69,949,907)	-	(69,949,907)	4,387,683
Net cash provided by (used for) investing activities	19,387,813	24,673,748	44,061,561	170,063,130
Cash flows from financing activities				
Net changes in notes payable - finance loans	-	(6,430,913)	(6,430,913)	(8,001,913)
Issuance of bonds payable	-	91,108,858	91,108,858	-
Net payments on bonds payable	-	(134,715,014)	(134,715,014)	(192,425,183)
Net cash provided by (used for) financing activities	-	(50,037,069)	(50,037,069)	(200,427,096)
Net increase (decrease) in cash and cash equivalents	(632,572)	13,664,805	13,032,233	(13,441,386)
Cash and cash equivalents				
Beginning	7,973,667	56,318,747	64,292,414	77,733,802
Ending	\$ 7,341,095	\$ 69,983,552	\$ 77,324,647	\$ 64,292,416
Supplemental disclosures of cash flow information				
Cash payments for interest	\$ -	\$ (11,530,172)	\$ (11,530,172)	\$ 26,566,610

See Notes to Consolidated Financial Statements

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

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.

During the fiscal year ended June 30, 2019, the Corporation's Board of Directors established Power:Ed as an arm of the Corporation to assist in fulfilling some of the Corporation's philanthropic initiatives within its mission. See Note 15 for further discussion.

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. During the August 10, 2021 Board of Directors meeting, the Board of Directors formally authorized the closure of PIHI and SC3. On August 12, 2021, PIHI and SC3 filed for dissolution with the Secretary of State of South Carolina.

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 performs contractual services for the South Carolina State Education Assistance Authority (the "Authority"). The Authority is a body politic as well as a corporate 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 the Senate Finance Committee and Chairman of the South Carolina House of Representatives Ways and Means Committee.

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.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

Overall operating arrangement:

The Authority, as a guaranty agency, 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 of the previously originated FFEL loans.

The Corporation financed both FFEL and private education 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 8, makes loans. The Corporation remits proceeds on these loans to the Authority as required by a loan agreement between the two entities.

During the fiscal year ended June 30, 1985, the Corporation began administering the South Carolina 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 forgivable loan program. 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. To further the mission of this program, the Department of Education subsequently created two other Teacher Loan initiative programs, the Teacher Loan Career Changers Program ("TLC") and the Program of Alternative Certification for Educators ("PACE"). The TLC Program provides financial assistance to South Carolina residents interested in changing careers to become a teacher. The PACE program is a one-time reimbursement loan offered to South Carolina residents for expenses incurred related to the professional educator certification up to \$750. The funds for operations and for making teaching program loans are provided by State funds appropriated to the South Carolina Department of Education ("SCDE"). The appropriated funds are distributed to a State Composite account which the Corporation has authorization to disburse the funds for the purpose of making teacher loans.

Borrowers who receive a TLP, TLC, or PACE loan may be eligible for cancellation (forgiveness) of portions of the loan indebtedness by teaching in certain critical geographic and/or subject areas in the SC public school system. The forgiveness is only available to certified teachers and recipients of the TLP, TLC, and PACE loans. An updated listing of approved critical geographic locations and/or critical subject areas are provided to the Corporation annually by the SCDE. 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 an approved critical geographic location and/or critical subject area in South Carolina for both the TLP and TLC program. Loans for the PACE program are cancelled in full after the borrower finishes a full academic year of teaching in an approved critical geographic and/or subject areas in the SC public school system. These loans are repaid by the borrower if the borrower does not teach in a critical subject or critical geographic location. The full eligibility and forgiveness requirements can be found in the South Carolina Code of Laws Title 59 Chapter 26 as well as the Corporation's website (scstudentloan.org). TLP loans made for academic years before 1994-1995 are guaranteed by the Authority. TLP loans made for academic years 1994-1995 or after are non-guaranteed.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

Overall operating arrangement, continued:

The Corporation as the administer of the TLP, TLC, and PACE forgivable loan programs is involved in the full cycle of the loan process. The Corporation issues the loans to eligible borrowers, process the forgiveness for eligible borrowers, services the repayment of the loans not eligible for forgiveness, and records the accounting details of the program. The Corporation is paid for its services for these programs out of appropriations for the TLP program. The Corporation annually submits a budget for its estimated services to the Commission for Higher Education ("CHE") for approval. When approved the budgetary amounts for the Corporation's services is taken out of the TLP program's appropriated funds and set aside in the Education Improvement Act of 1984 Fund 4973 ("EIA Fund 4973") to be paid monthly to the Corporation as services are rendered and approved by CHE. The South Carolina State Treasurer's Office disburses the funds for these services at the direction of CHE.

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 of 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, 2021, the balance of Fund 41L1 was \$17,124,968.

The Commission on Higher Education in consultation with the State Department of Education and the Corporation developed the Governor's Teacher Scholarship Loan Program ("GOV") 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. Funds generated from Repayments for the program are collected by the Corporation and deposited monthly into the AFS-Gov Teaching School Loan Prog EAA Fund 4019 ("Fund 4019"). As of June 30, 2021, the balance of Fund 4019 was \$ 72,630.

All teacher loan program funds are held in bank accounts owned by the State of South Carolina and are reported within the Comprehensive Annual Financial Report of the State of South Carolina. As the administrator of the program, the Corporations reports the activities of these funds to SCDE, CHE, and in the notes of the Corporation's Audited Financial Statements.

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 the Corporation's accumulated unrestricted net assets and bond funds. The Corporation discontinued offering this PAL Program during December 2008.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

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.

Beginning in the fiscal year ended June 30, 2012, the Corporation began disbursing PAL Program in-school loans out of the Corporation's unrestricted net assets.

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 675. The student was also required to have loans made for attendance at 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. The student was also required to have loans made for attendance at 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. As of June 30, 2020, a minimum FICO score of 670 and a debt-to-income ratio of 43% or less is required as part of the determination of the creditworthiness of each applicant. These loans are funded from available funds of the Corporation that are without restrictions.

During the fiscal year ended June 30, 2020, the Corporation made adjustments to the interest rates for the PAL Program. Borrowers may receive a range of 4.75% to 8.95% 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% for the 5, 10 and 15 year terms, respectively, as selected by the borrower. These loans are funded from available funds of the Corporation that are without restrictions.

During the fiscal year ended June 30, 2021, the Corporation retained both variable and fixed rate options for its PAL Program. Borrowers selecting a variable rate received rates based on one-month LIBOR plus a margin of 3.625% to 8.175%, with the rate capped at 12.00%. The variable rate is reset quarterly using the one-month LIBOR rate two business days prior to the start of each quarter. Borrowers selecting a fixed rate received rates from 4.75% to 8.95%. The variable rate margin or fixed rate given depends on borrower or cosigner credit score, enrolled payment selection, and repayment term selection.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

Overall operating arrangement, continued:

During the fiscal year ended June 30, 2021, the Corporation continued to offer only fixed rates for its PAL Refi Program and introduced the borrower or cosigner credit score as a factor in determining the rate given. At the beginning of the year, the Corporation offered rates from 4.24% to 7.24%, depending solely on repayment term selection. On November 12, 2020, the Corporation added credit score as a factor in determining the rate and offered rates from 2.99% to 7.24%. Rates were adjusted again on June 1, 2021, with rates offered ranging from 3.24% to 8.24%.

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. Transition of private loans to Firstmark Services, a division of Nelnet, was completed on January 13, 2017. Loans outstanding for the TLP were transitioned to Firstmark Services effective February 16, 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 PIHI and SC3. The Teacher Loan Fund is included on the consolidated Statement of Financial Position of the Corporation as a liability due to the State of South Carolina. 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:

Net assets without restrictions - Net assets without restrictions include those designated by the Corporation's Board of Directors and can be used in any Corporation activity.

Net assets with restrictions - Net assets with restrictions consist of accumulated assets and liabilities for the general resolutions of outstanding bonds.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

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 and Treasury Bills, commercial paper and money market funds with a maturity of three months or less, including those that are classified as assets with restrictions, to be cash equivalents.

Concentration risk:

The Corporation maintains its cash in bank deposit accounts, which, at times, may exceed the federally insured limit. At June 30, 2021, 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, 2021, believed each institution is well-capitalized with no going concern issues.

Investments:

Investments are 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 \$8,769,636 at June 30, 2021. The Corporation maintains \$1,411,846 as a liability at June 30, 2021 for the undisbursed funds from the TLP, TLC, and PACE programs. 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.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

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 PAL Program loans. In making the estimate for student loan losses, the Corporation considers default rate trends, 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.

For all PAL Program loans 180 days or more past due, the Corporation maintains a 100% allowance. PAL Program loans 15 to 179 days past due are grouped by level of delinquency and amounts are reserved based on the percentage of each group that is expected to default. The percentage used for each group is based on the Corporation's last ten years of default experience. The total calculated allowance is then adjusted by the Corporation's recovery rate. The Corporation's recovery rate was 10% for the fiscal year ended June 30, 2021. The allowance for loan loss was \$36,027,978 for PAL loans and \$641,407 for the FFEL unencumbered/unrestricted loans at June 30, 2021.

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. Part-time employees who are eligible for benefits will earn vacation leave on a pro-rated basis determined by the number of regular scheduled hours worked. Employees are expected to use at least one week (five consecutive days) each year. Beginning January 1, 2021, employees were eligible to carry forward accrued but unused vacation hours for that year up to a maximum of 120 hours total (15 days or 3 weeks). An employee's accrued but unused vacation account at the end of the year cannot exceed 120 hours; therefore, any hours over 120 hours will be forfeited. At termination of employment, the employee will be paid for accrued but unused vacation hours not to exceed 120 hours in his/her final pay. 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.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

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 2017.

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.

Availability of funds for general expenses:

The Corporation has certain net assets that are available for general expenses within one year of June 30, 2021 based on conducting the normal activities of its programs in the coming fiscal year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenses within one year (see Note 4).

Expense allocation:

The costs of providing programs and activities of the Corporation's funds without restrictions have been summarized on a functional basis in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Expenses of the Corporation include:

Program expenses - Program expenses include the costs associated with specific programs of the Corporation.

Supporting services - Supporting services include the general, administrative and operating costs of the Corporation.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Personnel, general operating, and contractual services expenses included allocations on the basis of management's reasonable estimate of time spent for each category. The allocation used was 10% for Management and General Supporting Services, 80% for Program Expenses of PAL, and 10% for Program Expenses of FFEL. Where applicable, management allocated expenses based on the direct cost method for these categories as well. Management determined that a more appropriate allocation for expenses, such as interest on debt, payments to the South Carolina Education Assistance Authority for student loan income, and broker dealer fees would be based on loan volume of programs by bond trust and was allocated accordingly.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

Recently issued accounting pronouncements:

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, 2020. Early adoption is permitted. 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, 2020, from which the summarized information was derived.

Reclassifications:

Certain prior fiscal year amounts have been reclassified to conform to the current fiscal year presentation. There was no effect on previously reported net assets or changes in net assets as a result of these reclassifications.

Subsequent events:

In preparing these financial statements, management has evaluated events and transactions for potential recognition and disclosure through September 30, 2021, the date these financial statements were available to be issued.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 2. Cash and Cash Equivalents

As of June 30, 2021, cash and cash equivalents include demand deposits and short-term investments with a maturity of three months or less as follows:

	<u>Cost</u>	<u>Market Value</u>
Without restrictions		
South Carolina State Treasurer pool	\$ 3,870	\$ 3,870
Collateralized demand deposits	7,337,225	7,337,225
Money market	-	-
Total without restrictions	<u>\$ 7,341,095</u>	<u>\$ 7,341,095</u>
With restrictions		
Collateralized demand deposits	\$ 32,762	\$ 32,762
Money market	47,673,700	47,673,700
South Carolina State Treasurer pool	<u>21,860,181</u>	<u>22,277,090</u>
Total with restrictions	<u>\$ 69,566,643</u>	<u>\$ 69,983,552</u>

Included in the balance of cash and cash equivalents with restrictions is a total of \$22,277,090 of Teacher Loan Program funds that reside 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, 2021:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$ 23,876,339	\$ 31,406,046
Stocks/bonds	231,058,934	262,131,405
Insured deposits/repurchase obligations	<u>9,281,802</u>	<u>9,281,802</u>
Total	<u>\$ 264,217,075</u>	<u>\$ 302,819,253</u>

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.

For the fiscal year ended June 30, 2021, the Corporation's realized investment income was \$8,880,565, unrealized gain on investments was \$30,406,311, and investment expense was \$634,733. The Corporation's net investment income was \$38,652,143 for the fiscal year ended June 30, 2021.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 4. Availability and Liquidity

Financial assets available for general expenses of the Corporation without restrictions limiting their use within one year of the Statement of Financial Position date of June 30, 2021 were comprised of the following:

Total assets at June 30, 2021	\$ 1,464,017,759
Less Teacher Loan Program assets	<u>58,251,515</u>
Net total assets excluding Teacher Loan Program funds	<u>\$ 1,405,766,244</u>

Less amounts not available to be used within one year due to illiquidity:

Prepaid expenses and other	399,633
Overfunded defined benefit plan	1,643,796
Student loans receivable, net of current portion and allowance for loan loss	21,079,286
Due from other funds	20,942,464
Property and equipment, net	<u>4,665,339</u>
	<u>48,730,518</u>

Less amounts not available to be used within one year due to restrictions and designations:

Assets with restrictions	1,042,439,414
Board designated assets, Power:Ed	<u>20,553,840</u>
	<u>1,062,993,254</u>

Financial assets available to meet cash needs for expenses due within one year \$ 294,042,472

As a part of the Corporation's liquidity management, its policy is to have adequate cash and other short-term investments to meet its financial obligations which become due within the next twelve months. This assessment is performed daily to ensure there are adequate funds for a rolling twelve-month period. All amounts presented in this section come from Corporation owned funds and do not include any amounts related to any Teacher Loan Program.

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

As of June 30, 2021, the Authority owes the Corporation funds collected on its behalf as well as services rendered on its behalf of \$481,716. Funds collected on behalf of the Corporation are amounts related to the collection of program loan payments and are required to be transferred to the appropriate accounts by the end of the following month. As of June 30, 2021, the Corporation owes the Authority \$124,903 for interest on the 2009 PAL General Resolution bonds. During the fiscal year ended June 30, 2011, the Authority transferred unencumbered FFELP loans held by the Authority in the amount of \$39,835,008 to the Corporation and the Corporation also contributed unencumbered loans of \$20,942,464 to provide additional equity to the Corporation's 2010-1 General Resolution (see Note 7). 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 pro-rata basis based on the percentage contribution made by each entity once all bonds have been redeemed.

Note 6. Federal Family Education Loans and Federal Reinsurance Loans

During the fiscal year ended June 30, 2021, these loans were bearing interest at fixed rates ranging from 2.87% to 9.00% or an annual variable rate of 1.83% to 3.42%.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 6. Federal Family Education Loans and Federal Reinsurance Loans, Continued

As required by the HEA, the annual variable rate is reset each July 1 using either the bond equivalent rate of the 91-day Treasury Bill, determined at the final auction held prior to the preceding June 1, or the weekly average of the one-year constant maturity Treasury yield as published for the last calendar week ending on or before June 26 of each year, plus 1.83% to 3.42% 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, 2021 are \$784,231,175.

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.

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 subject to restrictions imposed by the underlying bond agreements as described in the *Net Assets with Restrictions* 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, 2021, the Corporation held funds on deposit as cash with restrictions in the debt service funds of \$5,126,766.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 7. Bonds Payable, Continued

The bonds outstanding as of June 30, 2021 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding at June 30, 2020</u>	<u>Issued (Retired)</u>	<u>Balance Outstanding at June 30, 2021</u>
June 25, 2008	\$ 600,000,000	9/2/2014 - 9/3/2024	\$ 45,644,186	\$ (15,542,574)	\$ 30,101,612
November 30, 2010	920,000,000	1/25/2021 - 10/27/2036	234,090,044	(32,394,804)	201,695,240
February 20, 2013	323,620,000	1/25/2041	91,222,699	(11,199,464)	80,023,235
August 20, 2014	501,500,000	4/1/2030 - 8/1/2035	338,103,611	(57,290,877)	280,812,734
November 25, 2015	198,400,000	1/25/2036	90,874,239	(18,287,296)	72,586,943
August 20, 2020	92,710,000	12/1/2022 - 12/1/2039	-	92,710,000	92,710,000
			799,934,779	<u>\$ (42,005,015)</u>	757,929,764
Less: unamortized costs of issuance			<u>(17,394,753)</u>		<u>(17,724,297)</u>
			<u>\$ 782,540,026</u>		<u>\$ 740,205,467</u>

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

The Corporation's LIBOR Indexed Bonds in the 1996 General Resolution totaled \$280,812,734 as of June 30, 2021 and have variable interest rates equal to one-month LIBOR plus 0.75% to 1.5%, as adjusted monthly. Throughout the fiscal year ended June 30, 2021, none of the rates exceeded 1.67%. Future interest payment projections are based upon the ten-year weighted average rate for all currently outstanding bond resolutions at June 30, 2021, which was 1.906%.

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. Principal and interest payments for the 2014 Series bonds are paid on distribution dates (the first business day of each month).

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.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 7. Bonds Payable, Continued

LIBOR Notes Secured by the 2008-1 General Resolution, continued:

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 \$30,101,612 as of June 30, 2021.

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 pro-rata basis, based on the percentage contribution made by each entity once all bonds have been redeemed.

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 \$201,695,240 as of June 30, 2021.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 7. Bonds Payable, Continued

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 \$80,023,235 as of June 30, 2021.

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 \$72,586,943 as of June 30, 2021.

Taxable Fixed Rate Bond Series 2020A of the 2020 Master Indenture:

On August 20, 2020, the Corporation issued \$92,710,000 of Student Loan Backed Notes, Senior Series 2020A ("Series 2020A Taxable Bonds") under the 2020 Indenture. The proceeds of the Series 2020A Taxable Bonds will be used for the purpose of (i) financing Eligible Loans currently held on the Corporation's balance sheet, (ii) financing additional Eligible Loans during the Acquisition Period, (iii) financing deposits to the Debt Service Reserve Fund and the Capitalized Interest Fund, and (iv) paying the cost of issuing the Series 2020A Taxable Bonds. Interest rates on the 2020 Indenture are fixed and range from 2.067% and 3.593% and are payable semiannually June 1 and December 1. Principal payments are made annually on December 1, commencing December 1, 2022. The Series 2020A Taxable Bonds secured by the 2020 Master Indenture had a balance of \$92,710,000 as of June 30, 2021.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 7. Bonds Payable, Continued

Projected debt service:

As of June 30, 2021, the scheduled debt service to retire the bonds and notes of the Corporation is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 15,614,017	\$ 15,614,017
2023	4,840,000	15,563,995	20,403,995
2024	8,105,000	15,424,495	23,529,495
2025	36,701,613	14,820,284	51,521,897
2026	6,850,000	14,512,082	21,362,082
2027	7,990,000	14,322,045	22,312,045
2028	7,700,000	14,109,854	21,809,854
2029	6,255,000	13,911,754	20,166,754
2030	114,267,735	13,543,317	127,811,052
2031	2,600,000	11,497,361	14,097,361
2032	4,065,000	11,384,774	15,449,774
2033	105,115,000	10,419,043	115,534,043
2034	4,320,000	9,124,814	13,444,814
2035	4,455,000	8,967,171	13,422,171
2036	149,351,942	7,175,177	156,527,119
2037	205,145,240	3,924,237	209,069,477
2038	3,155,000	1,855,350	5,010,350
2039	3,250,000	1,740,284	4,990,284
2040	3,740,000	1,614,708	5,354,708
2041	<u>80,023,234</u>	<u>1,031,680</u>	<u>81,054,914</u>
	<u>\$ 757,929,764</u>	<u>\$ 200,556,443</u>	<u>\$ 958,486,207</u>

The weighted average interest rate used for all currently outstanding bond resolutions for future interest payment projections was 1.906%. This estimate is inherently subjective and the rate may change significantly in the future.

As outlined in the 1996 General Resolution, 2008-1 General Resolution, 2010-1 General Resolution, 2013-1 General Resolution, 2015-1 General Resolution, and 2020 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, 2021, the Corporation estimated they would make optional redemption or principal distribution payments for the next fiscal year of approximately \$121,529,000.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

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. During July 2018, the Corporation made a loan contribution of PAL Program loans to the 2009 PAL General Resolution in the amount of \$11,227,151. The notes payable - finance loan balance as of June 30, 2021 was \$13,168,985.

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, 2021, the Corporation remitted \$19,245,265 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.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

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 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, 2021 was \$168,713 and is fully funded. The MPPP experienced a partial termination on August 18, 2016 and October 17, 2017 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; however, the Board of Directors voted on May 5, 2017 to set this annual contribution to 0% until further action by the Board of Directors. 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.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

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 covered 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. During November 2018, the Corporation's Board of Directors approved the de-risking of the DBP. This process was completed during May 2019. Related settlement accounting was recognized during the fiscal year ended June 30, 2019. 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, 2021:

Change in projected benefit obligation:	
Projected benefit obligation at June 30, 2020	\$ 6,033,294
Service cost	196,428
Interest cost	167,656
Actuarial loss	25,293
Benefits paid	<u>(40,736)</u>
Projected benefit obligation at June 30, 2021	<u>\$ 6,381,935</u>
Change in fair value of plan assets:	
Fair value of plan assets at June 30, 2020	\$ 6,715,070
Actual return on assets	1,351,397
Benefits paid	<u>(40,736)</u>
Fair value of plan assets at June 30, 2021	<u>\$ 8,025,731</u>
Funded status	<u>\$ 1,643,796</u>
Amounts recognized in the Consolidated Statement of Financial Position:	
Non-current assets	<u>\$ 1,643,796</u>
Amounts recognized in the Consolidated Statement of Activities:	
Net loss	<u>\$ 761,749</u>

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

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, 2021 and 2020. The measurement date of the projected benefits obligation and plan assets was June 30, 2021.

	<u>2021</u>	<u>2020</u>
Assumptions used		
Weighted-average assumptions used to determine benefit obligations		
Discount rate	2.83 %	2.78 %
Rate of compensation increase	4.00 %	4.00 %
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	2.78 %	3.57 %
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, 2021 are as follows:

Net periodic benefit cost	
Service cost	\$ 196,428
Interest cost	167,656
Expected return on plan assets	(465,260)
Amortization of unrecognized net (gain) or loss	<u>265,551</u>
Total benefit cost	164,375
Administrative expenses	<u>(64,559)</u>
Net periodic benefit cost	<u>\$ 99,816</u>
Employee benefit - related changes other than net periodic benefit cost	<u>\$ (1,126,395)</u>
Total net periodic benefit cost and employee benefit - related changes other than net periodic benefit cost	<u>\$ (1,026,579)</u>

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 10. Employee Benefit Plans, Continued

Defined Benefit Pension Plan, continued

The net pension gain for the DBP totaled \$1,026,579 less \$64,559 of administrative expenses, totaling \$962,020 for the fiscal year ended June 30, 2021. The accumulated benefit obligation for the DBP was \$666,934 at June 30, 2021.

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, 2021, by asset category, is as follows:

Money market	2.08%
Debt securities	30.14%
Equity securities	55.86%
Insurance policies	<u>11.92%</u>
	<u>100.00%</u>

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 asset 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 ending June 30, 2022.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the fiscal years ending June 30:

2022	\$	150,000
2023		166,000
2024		200,000
2025		202,000
2026		249,000
2027 – 2031		1,566,000

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

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. The Corporation historically leased mail room equipment for terms of thirty-six to sixty month periods. The Corporation terminated its mail room leases during the fiscal year ended June 30, 2020.

Note 12. Assets Released from Restrictions

Net assets during the fiscal year ended June 30, 2021 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Contractual services	\$ 198,558
Interest on debt	12,527,618
Payments to South Carolina State Education Assistance Authority for student loan income	978,799
Loan fees	4,035,662
Reinsurance expense	491,735
Borrower incentives	2,807,339
Broker dealer fees	230,531
Loan loss expense	<u>3,565,130</u>
Total expenses	24,835,372
Transfer from taxable bonds servicing fees	<u>7,828,805</u>
Total assets released from restrictions for expenses	<u>\$ 32,664,177</u>
Contribution of PAL loans to 2020 Master Indenture at issuance	\$ (89,640,711)
Cash released to the Corporation at closing	<u>59,844,984</u>
	<u>(29,795,727)</u>
Additional loans contributed, net of refunds	(27,722,389)
Cash release payments for loans contributed	<u>28,031,398</u>
	<u>309,009</u>
Net activity related to the 2020A Master Indenture	<u>(29,486,718)</u>
Net assets released from restrictions	<u>\$ 3,177,459</u>

On August 5, 2021, the Corporation contributed \$89,640,711 in eligible loans to the Series 2020A Taxable Bonds secured by the 2020 Master Indenture. The Indenture permits additional financing of eligible loans during the acquisition period ending October 31, 2021. During the fiscal year ended June 30, 2021, the Corporation made additional PAL and PAL Refi loans using its funds without restrictions and then pledged the newly made loans as additional collateral to the 2020 Master Indenture as allowed. The 2020 Master Indenture reimbursed the Corporation for the principal contribution of the additional loans out of the Taxable Loan Account. This activity reduced the total amount released from restrictions for the fiscal year ended June 30, 2021 by \$29,486,718. The net assets released from restrictions was \$3,177,459 as reflected in the Statement of Activities.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

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, 2021 compared to the prior year.

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.

	<u>Carrying Value</u>	<u>Estimated Fair Value</u>
Financial assets		
Cash and cash equivalents	\$ 55,047,557	\$ 55,047,557
Cash and cash equivalents - TLP	21,860,181	22,277,090
Investments	264,217,075	302,819,253
Student loans receivable, net	997,957,743	997,957,743
Teacher loans receivable, net	31,993,025	31,993,025
Financial liabilities		
Notes payable	13,168,985	13,168,985
Bonds payable, net	740,205,467	740,205,467

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

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

	<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Cash and cash equivalents	\$ 55,047,557	\$ 55,047,557	\$ -	\$ -
Cash and cash equivalents – TLP	22,277,090	22,277,090	-	-
Insured deposits/repurchase obligations	10,657,084	10,657,084	-	-
Mutual funds	31,406,046	31,406,046	-	-
Corporate stocks and bonds	260,756,124	-	260,756,124	-
Student loans receivable, net	997,957,742	-	997,957,742	-
Teacher loans receivable, net	31,993,025	-	31,993,025	-
Total financial assets	<u>\$ 1,410,094,668</u>	<u>\$ 119,387,777</u>	<u>\$ 1,290,706,891</u>	<u>\$ -</u>
Financial liabilities				
Notes payable	\$ 13,168,985	\$ -	\$ 13,168,985	\$ -
Bonds payable, net	<u>740,205,467</u>	<u>-</u>	<u>740,205,467</u>	<u>-</u>
Total financial liabilities	<u>\$ 753,374,452</u>	<u>\$ -</u>	<u>\$ 753,374,452</u>	<u>\$ -</u>

Note 14. Board Designated Net Assets

During the fiscal year ended June 30, 2019, the Board of Directors established Power:Ed as an arm of the Corporation to assist in fulfilling some of the Corporation's philanthropic initiatives. Power:Ed's mission is to support educational priorities in South Carolina with the goal of getting more South Carolinians prepared for the workforce. To date, the Corporation has designated \$20,500,000 to Power:Ed for its future endeavors.

Note 15. Contingencies

The 2019 novel coronavirus ("COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Corporation's and its customers' costs, demand for the Corporation's products and services, and the U.S. economy. These conditions could adversely affect the Corporation's business, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of the Corporation's operations or other businesses of the Corporation's customers and suppliers, which could significantly disrupt the Corporation's operations and the operations of the Corporation's customers. The extent of the adverse impact of the COVID-19 outbreak on the Corporation cannot be predicted at this time.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the year ended June 30, 2021

Note 16. Teacher Loan Program Fiscal Year 2021 Activity

As discussed in Note 1, the Corporation is the administrator for the TLP, TLC, and PACE forgivable loan programs. For the fiscal year ended June 30, 2021, the TLP program received appropriations of \$5,569,187. Due to the increase of the annual loan amount, the Corporation requested and received approval from CHE to use an additional \$1,000,000 from the EIA-Revolving account to make additional TLP loans. The TLC and PACE programs were appropriated \$1,065,125. Of the \$1,065,125 appropriated funds, 66% or \$702,875 were allocated to the TLC program and the remaining 34% or \$362,250 of appropriated funds were allocated to the PACE program. 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 geographic location and/or critical subject area as set forth in the South Carolina Code of Laws for the TLP and TLC programs. Eligible PACE loans are fully forgiven after a full academic year of teaching is performed in a critical geographic location and/or critical subject area. These loans are repaid by the borrower in the event the borrower does not teach in the approved critical geographic location and/or subject area.

For the fiscal year ended June 30, 2021, the Teacher Loan programs cancelled \$3,413,356 of teacher loans. The activities of these programs are summarized below:

Revenues:

Unsubsidized student loan interest	\$ 1,378,302
Late charges	17,083
State appropriations - State Department of Education	5,569,187
Investment income	300,645
Unrealized loss on investments	<u>(152,707)</u>
	7,112,510

Expenses:

Contractual services	541,477
Borrower incentives	7,729
TLP cancellations	<u>3,413,356</u>
	<u>3,962,562</u>
Additions to payable to the State	3,149,948
Payable to the State, beginning	<u>53,689,721</u>
Payable to the State, ending	<u>\$ 56,839,669</u>

Note 17. Subsequent Events

During the August 10, 2021 Board of Directors meeting, the Board of Directors formally authorized the closure of PIHI and SC3. On August 12, 2021, PIHI and SC3 filed for dissolution with the Secretary of State of South Carolina.

During September 2021, the Corporation began negotiations for the sale of its building located at 8906 Two Notch Road, Columbia, SC 29223. The contract for the purchase of the building was signed on September 23, 2021. Subject to the closing of the sale of the building, the Corporation will be required to lease a facility to conduct its operations. The expenditures of such lease are not known to the Corporation at this time.

South Carolina Student Loan Corporation
Consolidated Schedule of Financial Position By Fund - Without Restrictions
As of June 30, 2021

	<u>Operating/SLC</u>	<u>Power:Ed</u>	<u>PIHI</u>	<u>SC3</u>	<u>Eliminations</u>	<u>Total</u>
Assets						
Current assets						
Cash and cash equivalents	\$ 7,322,674	\$ 9,781	\$ 3,640	\$ 5,000	\$ -	\$ 7,341,095
Investments	304,059,253	-	-	-	(1,240,000)	302,819,253
Current portion of student loans receivable	3,642,821	-	-	-	-	3,642,821
Interest due from borrowers	700,460	-	-	-	-	700,460
Accounts receivable	19,613	-	-	-	-	19,613
Due from subsidiaries	114,644	-	(114,644)	-	-	-
Due from servicers	(81,243)	-	-	-	-	(81,243)
Due from South Carolina State Education Assistance Authority	39,208	-	-	-	-	39,208
Prepaid expenses	380,433	19,200	-	-	-	399,633
Due from other funds	(20,384,088)	20,499,192	-	-	-	115,104
Total current assets	<u>295,813,775</u>	<u>20,528,173</u>	<u>(111,004)</u>	<u>5,000</u>	<u>(1,240,000)</u>	<u>314,995,944</u>
Long-term receivables and other assets						
Student loans receivable, net of current portion and allowance for loan loss for \$12,021,778	21,079,286	-	-	-	-	21,079,286
Overfunded defined benefit plan	1,643,796	-	-	-	-	1,643,796
Due from other funds	20,942,464	-	-	-	-	20,942,464
Total long-term receivables and other assets	<u>43,665,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,665,546</u>
Property and equipment						
Land	364,900	-	-	-	-	364,900
Building	4,358,670	-	-	-	-	4,358,670
Furniture and equipment	4,867,078	84,000	-	-	-	4,951,078
Automobiles	80,030	-	-	-	-	80,030
Less accumulated depreciation	(5,031,006)	(58,333)	-	-	-	(5,089,339)
Net property and equipment	4,639,672	25,667	-	-	-	4,665,339
Total assets	<u>\$ 344,118,993</u>	<u>\$ 20,553,840</u>	<u>\$ (111,004)</u>	<u>\$ 5,000</u>	<u>\$ (1,240,000)</u>	<u>\$ 363,326,829</u>
Liabilities and Net Assets						
Current liabilities						
Accounts payable	\$ 1,916,235	\$ -	\$ -	\$ -	\$ -	\$ 1,916,235
Unearned revenues	114,967	-	-	-	-	114,967
Customer refunds payable	49,715	-	-	-	-	49,715
Compensated absences	132,386	-	-	-	-	132,386
Due to United States Department of Education	63,960	-	-	-	-	63,960
Due to subsidiaries	-	-	(106,044)	106,044	-	-
Total current liabilities	<u>2,277,263</u>	<u>-</u>	<u>(106,044)</u>	<u>106,044</u>	<u>-</u>	<u>2,277,263</u>
Total liabilities	<u>2,277,263</u>	<u>-</u>	<u>(106,044)</u>	<u>106,044</u>	<u>-</u>	<u>2,277,263</u>
Net assets						
Board designated for Power:Ed	-	20,553,840	-	-	-	20,553,840
Undesignated	341,841,730	-	(4,960)	(101,044)	(1,240,000)	340,495,726
Total net assets	<u>341,841,730</u>	<u>20,553,840</u>	<u>(4,960)</u>	<u>(101,044)</u>	<u>(1,240,000)</u>	<u>361,049,566</u>
Total liabilities and net assets	<u>\$ 344,118,993</u>	<u>\$ 20,553,840</u>	<u>\$ (111,004)</u>	<u>\$ 5,000</u>	<u>\$ (1,240,000)</u>	<u>\$ 363,326,829</u>

South Carolina Student Loan Corporation

Consolidated Schedule of Financial Position by Fund - With Restrictions

As of June 30, 2021

	Teacher Loans	1996 Resolution	2008 Resolution	2010-1 Resolution	2013-1 Resolution	Tax Exempt 2009 PAL Resolution	2015 Resolution	2020 Resolution	Total
Assets									
Current assets									
Cash and cash equivalents	\$ 22,277,090	\$ 10,821,901	\$ 3,224,691	\$ 11,735,943	\$ 2,879,148	\$ 32,763	\$ 2,657,726	\$ 16,354,290	\$ 69,983,552
Current portion of student loans receivable	-	46,396,394	14,160,937	32,679,330	8,873,268	4,494,496	13,735,851	12,964,952	133,305,228
Current portion of teacher loans receivable	2,334,818	-	-	-	-	-	-	-	2,334,818
Interest due from borrowers	3,730,673	12,874,193	4,531,431	12,952,764	5,838,699	280,269	1,540,804	2,777,059	44,525,892
Due from servicers	30,397	410,797	91,641	539,516	141,296	-	67,196	198,885	1,479,728
Due from South Carolina State Education Assistance Authority	194,184	-	-	-	-	248,324	-	-	442,508
Accrued investment income	-	179	56	221	59	-	-	-	515
Prepaid expenses	26,146	7,119	7,500	15,792	19,211	-	11,876	-	87,644
Due from (to) other funds	-	175,168	(6,646)	(123,987)	(42,507)	1,895	(110,291)	(8,736)	(115,104)
Total current assets	<u>28,593,308</u>	<u>70,685,751</u>	<u>22,009,610</u>	<u>57,799,579</u>	<u>17,709,174</u>	<u>5,057,747</u>	<u>17,903,162</u>	<u>32,286,450</u>	<u>252,044,781</u>
Long-term receivables and other assets									
Student loans receivable, net of current portion and allowance for loan loss for \$24,647,607	-	281,398,345	76,227,406	196,219,050	76,227,406	18,279,641	102,560,550	89,018,008	839,930,406
Teacher loans receivable, net of current portion and allowance for loan cancellations of \$8,769,636	29,658,207	-	-	-	-	-	-	-	29,658,207
Due from other funds	-	-	-	(20,942,464)	-	-	-	-	(20,942,464)
Total long-term receivables and other assets	<u>29,658,207</u>	<u>281,398,345</u>	<u>76,227,406</u>	<u>175,276,586</u>	<u>76,227,406</u>	<u>18,279,641</u>	<u>102,560,550</u>	<u>89,018,008</u>	<u>848,646,149</u>
Total assets	<u>\$ 58,251,515</u>	<u>\$ 352,084,096</u>	<u>\$ 98,237,016</u>	<u>\$ 233,076,165</u>	<u>\$ 93,936,580</u>	<u>\$ 23,337,388</u>	<u>\$ 120,463,712</u>	<u>\$ 121,304,458</u>	<u>\$ 1,100,690,930</u>
Liabilities and Net Assets									
Current liabilities									
Current maturities of notes payable - finance loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,045,047	\$ -	\$ -	\$ 4,045,047
Current maturities of bonds payable	-	46,624,580	13,089,120	27,376,210	11,964,110	-	16,389,020	6,085,600	121,528,640
Interest payable	-	263,630	28,462	453,251	7,889	-	19,254	229,146	1,001,632
Unearned revenues	-	-	-	-	-	132,408	-	-	132,408
Teacher loan liability	1,411,846	-	-	-	-	-	-	-	1,411,846
Due to United States Department of Education	-	1,108,986	453,560	1,789,584	860,371	-	96,330	-	4,308,831
Total current liabilities	<u>1,411,846</u>	<u>47,997,196</u>	<u>13,571,142</u>	<u>29,619,045</u>	<u>12,832,370</u>	<u>4,177,455</u>	<u>16,504,604</u>	<u>6,314,746</u>	<u>132,428,404</u>
Noncurrent liabilities									
Notes payable - finance loans, net of current maturities	-	-	-	-	-	9,123,938	-	-	9,123,938
Bonds payable, net of current maturities	-	230,631,588	17,012,493	173,024,765	66,956,985	-	45,921,455	85,129,541	618,676,827
Payable to the State of South Carolina	56,839,669	-	-	-	-	-	-	-	56,839,669
Due to South Carolina State Education Assistance Authority	-	-	-	39,835,008	-	-	-	-	39,835,008
Total noncurrent liabilities	<u>56,839,669</u>	<u>230,631,588</u>	<u>17,012,493</u>	<u>212,859,773</u>	<u>66,956,985</u>	<u>9,123,938</u>	<u>45,921,455</u>	<u>85,129,541</u>	<u>724,475,442</u>
Total liabilities	<u>58,251,515</u>	<u>278,628,784</u>	<u>30,583,635</u>	<u>242,478,818</u>	<u>79,789,355</u>	<u>13,301,393</u>	<u>62,426,059</u>	<u>91,444,287</u>	<u>856,903,846</u>
Net assets									
Bond indentures - current debt service	-	73,455,312	-	-	-	-	-	-	73,455,312
Bond indentures	-	-	67,653,381	(9,402,653)	14,147,225	10,035,995	58,037,653	29,860,171	170,331,772
Total net assets	-	<u>73,455,312</u>	<u>67,653,381</u>	<u>(9,402,653)</u>	<u>14,147,225</u>	<u>10,035,995</u>	<u>58,037,653</u>	<u>29,860,171</u>	<u>243,787,084</u>
Total liabilities and net assets	<u>\$ 58,251,515</u>	<u>\$ 352,084,096</u>	<u>\$ 98,237,016</u>	<u>\$ 233,076,165</u>	<u>\$ 93,936,580</u>	<u>\$ 23,337,388</u>	<u>\$ 120,463,712</u>	<u>\$ 121,304,458</u>	<u>\$ 1,100,690,930</u>

South Carolina Student Loan Corporation
Consolidated Schedule of Activities By Fund - Without Restrictions
For the year ended June 30, 2021

	<u>Operating/SLC</u>	<u>PowerEd</u>	<u>PIHI</u>	<u>SC3</u>	<u>Eliminations</u>	<u>Total</u>
Revenues						
Income from United States Department of Education:						
Student loan interest - subsidized	\$ 88,508	\$ -	\$ -	\$ -	\$ -	\$ 88,508
Special allowances	(315,963)	-	-	-	-	(315,963)
Student loan interest - unsubsidized	1,742,244	-	-	-	-	1,742,244
Investment income	8,312,825	552,528	-	-	-	8,865,353
Unrealized loss on investments	28,487,527	1,918,784	-	-	-	30,406,311
Late charges and miscellaneous payments	8,803	-	-	-	-	8,803
Servicing fees	308,393	-	-	-	-	308,393
Miscellaneous income (loss)	5,666	-	-	-	-	5,666
Other income	413,684	-	-	-	-	413,684
Total revenues	<u>39,051,687</u>	<u>2,471,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,522,999</u>
Expenses						
Personnel	2,669,054	-	-	-	-	2,669,054
Contractual services	4,521,075	62,921	2,356	-	-	4,586,352
General operating	2,109,300	627,990	1,255	-	-	2,738,545
Loan fees	81,046	-	-	-	-	81,046
Reinsurance expense	22,860	-	-	-	-	22,860
Borrower incentives	20,253	-	-	-	-	20,253
Loan loss expense	(1,213,262)	-	-	-	-	(1,213,262)
Total expenses	<u>8,210,326</u>	<u>690,911</u>	<u>3,611</u>	<u>-</u>	<u>-</u>	<u>8,904,848</u>
Transfers between accounts						
Transfers in	135,595,620	7,681,926	-	-	-	143,277,546
Transfers out	(164,935,459)	-	-	-	-	(164,935,459)
Total transfers between accounts	<u>(29,339,839)</u>	<u>7,681,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,657,913)</u>
Changes in net assets	1,501,522	9,462,327	(3,611)	-	-	10,960,238
Net assets						
Beginning	340,340,208	11,091,513	(1,349)	(101,044)	(1,240,000)	350,089,328
Ending	<u>\$ 341,841,730</u>	<u>\$ 20,553,840</u>	<u>\$ (4,960)</u>	<u>\$ (101,044)</u>	<u>\$ (1,240,000)</u>	<u>\$ 361,049,566</u>

South Carolina Student Loan Corporation

Consolidated Schedule of Activities by Fund - With Restrictions

For the year ended June 30, 2021

	Teacher Loans	1996 Resolution	2008 Resolution	2010-1 Resolution	2013-1 Resolution	Tax Exempt 2009 PAL Resolution	2015 Resolution	2020 Resolution	Total
Revenues									
Income from United States Department of Education:									
Student loan interest - subsidized	\$ -	\$ 764,699	\$ 306,474	\$ 898,523	\$ 353,604	\$ 12,709	\$ 73,907	\$ -	\$ 2,409,916
Special allowances	-	(4,430,030)	(2,162,892)	(7,906,530)	(3,902,759)	(87,525)	(439,566)	-	(18,929,302)
Student loan interest - unsubsidized	-	15,955,958	4,180,777	13,369,427	5,486,712	1,730,712	4,781,717	5,829,813	51,335,116
Investment income	-	4,170	1,775	4,548	670	-	892	3,157	15,212
Late charges and miscellaneous payments	-	106,043	66,936	101,456	50,157	12,298	42,595	23,647	403,132
Total revenues	-	12,400,840	2,393,070	6,467,424	1,988,384	1,668,194	4,459,545	5,856,617	35,234,074
Expenses									
Contractual services	-	-	-	-	-	-	-	198,558	198,558
Interest on debt	-	3,865,597	483,960	2,980,363	637,718	-	2,078,221	2,481,759	12,527,618
Authority for student loan income	-	-	-	-	-	978,799	-	-	978,799
Loan fees	-	2,796,401	-	1,095,731	36,595	-	106,935	-	4,035,662
Reinsurance expense	-	182,776	57,709	126,872	99,494	1,986	22,898	-	491,735
Borrower incentives	-	1,437,635	198,876	865,220	44,233	59,800	135,332	66,243	2,807,339
Broker dealer fees	-	82,686	19,835	54,191	34,574	-	37,244	2,001	230,531
Loan loss expense	-	-	-	-	-	234,423	678,998	2,651,709	3,565,130
Total expenses	-	8,365,095	760,380	5,122,377	852,614	1,275,008	3,059,628	5,400,270	24,835,372
Transfers between accounts									
Transfers in	-	-	-	-	-	-	-	29,892,114	29,892,114
Transfers out	-	(1,934,337)	(433,698)	(1,577,048)	(2,389,550)	-	(1,411,278)	(488,290)	(8,234,201)
Total transfers between accounts	-	(1,934,337)	(433,698)	(1,577,048)	(2,389,550)	-	(1,411,278)	29,403,824	21,657,913
Changes in net assets									
	-	2,101,408	1,198,992	(232,001)	(1,253,780)	393,186	(11,361)	29,860,171	32,056,615
Net assets									
Beginning	-	71,353,904	66,454,389	(9,170,652)	15,401,005	9,642,809	58,049,014	-	211,730,469
Ending	\$ -	\$ 73,455,312	\$ 67,653,381	\$ (9,402,653)	\$ 14,147,225	\$ 10,035,995	\$ 58,037,653	\$ 29,860,171	\$ 243,787,084

South Carolina Student Loan Corporation
Consolidated Schedule of Cash Flows By Fund - Without Restrictions
For the year ended June 30, 2021

	Operating/SLC	Power:Ed	PIHI	SC3	Total
Cash flows from operating activities					
Changes in net assets	\$ 1,501,522	\$ 9,462,327	\$ (3,611)	\$ -	\$ 10,960,238
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:					
Depreciation	759,337	28,000	-	-	787,337
Unrealized loss on investments	(28,487,527)	(1,918,784)	-	-	(30,406,311)
Loan loss expense	(1,213,262)	-	-	-	(1,213,262)
Changes in operating assets and liabilities:					
Due from South Carolina State Education Assistance Authority	(10,777)	-	-	-	(10,777)
Interest due from borrowers	1,412,045	-	-	-	1,412,045
Accounts receivable	(11,334)	-	-	-	(11,334)
Due from servicers	181,550	-	-	-	181,550
Due from subsidiaries	(2,356)	-	2,356	-	-
Prepaid expenses	131,555	-	-	-	131,555
Overfunded defined benefit plan	(962,020)	-	-	-	(962,020)
Due from other funds	9,503,801	(9,415,327)	-	-	88,474
Accounts payable	22,464	(75,000)	-	-	(52,536)
Unearned revenues	(54,306)	-	-	-	(54,306)
Compensated absences	(922,165)	-	-	-	(922,165)
Customer refunds payable	42,389	-	-	-	42,389
Due to United States Department of Education	8,738	-	-	-	8,738
Net cash provided by (used for) operating activities	<u>(18,100,346)</u>	<u>(1,918,784)</u>	<u>(1,255)</u>	<u>-</u>	<u>(20,020,385)</u>
Cash flows from investing activities					
Purchases of property and equipment	(280,956)	-	-	-	(280,956)
Net changes in student loans receivable	89,618,676	-	-	-	89,618,676
Net purchases of investments	(71,868,691)	1,918,784	-	-	(69,949,907)
Net cash provided by (used for) for investing activities	<u>17,469,029</u>	<u>1,918,784</u>	<u>-</u>	<u>-</u>	<u>19,387,813</u>
Net increase (decrease) in cash and cash equivalents	(631,317)	-	(1,255)	-	(632,572)
Cash and cash equivalents					
Beginning	7,953,991	9,781	4,895	5,000	7,973,667
Ending	<u>\$ 7,322,674</u>	<u>\$ 9,781</u>	<u>\$ 3,640</u>	<u>\$ 5,000</u>	<u>\$ 7,341,095</u>

South Carolina Student Loan Corporation
Consolidated Schedule of Cash Flows By Fund - With Restrictions
For the year ended June 30, 2021

	Teacher Loans	1996 Resolution	2008 Resolution	2010-1 Resolution	2013-1 Resolution	Tax Exempt 2009 PAL Resolution	2015 Resolution	2020 Resolution	Total
Cash flows from operating activities									
Changes in net assets	\$ -	\$ 2,101,408	\$ 1,198,992	\$ (232,001)	\$ (1,253,780)	\$ 393,186	\$ (11,361)	\$ 29,860,171	\$ 32,056,615
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:									
Amortization of bond discounts and cost of issuance	-	287,941	-	84,409	84,240	-	708,722	106,283	1,271,595
Loan loss expense	-	-	-	-	-	234,423	678,998	2,651,709	3,565,130
Changes in operating assets and liabilities:									
Due from South Carolina State Education Assistance Authority	66,197	-	-	-	-	62,456	-	-	128,653
Interest due from borrowers	146,812	593,519	563,608	289,188	298,496	44,245	427,992	(2,777,059)	(413,199)
Due from servicers	13,921	(152,446)	22,862	(259,070)	(75,925)	-	62,887	(198,885)	(586,656)
Accrued investment income	-	1,088	287	1,352	(16)	-	-	-	2,711
Prepaid expenses	-	(1,912)	-	2,158	462	-	-	-	708
Due to other funds	-	(24,062)	(32,313)	(16,537)	(10,596)	(1,032)	(13,168)	8,736	(88,972)
Interest payable	-	(62,886)	(22,888)	(408,743)	(2,518)	-	(6,259)	229,146	(274,148)
Accounts payable	(25,770)	-	-	-	-	-	-	-	(25,770)
Unearned revenues	-	-	-	-	-	(119,824)	-	-	(119,824)
Teacher loan liability	453,711	-	-	-	-	-	-	-	453,711
Payable to the State of South Carolina	3,149,948	-	-	-	-	-	-	-	3,149,948
Due to United States Department of Education	-	(22,172)	(1,830)	(36,423)	(30,445)	-	(1,506)	-	(92,376)
Net cash provided by (used for) operating activities	<u>3,804,819</u>	<u>2,720,478</u>	<u>1,728,718</u>	<u>(575,667)</u>	<u>(990,082)</u>	<u>613,454</u>	<u>1,846,305</u>	<u>29,880,101</u>	<u>39,028,126</u>
Cash flows from investing activities									
Net changes in student loans receivable	-	52,500,927	13,502,590	30,543,613	11,582,617	5,816,928	16,588,300	(104,634,669)	25,900,306
Net changes in teacher loans receivable	(1,226,558)	-	-	-	-	-	-	-	(1,226,558)
Net cash provided by (used for) investing activities	<u>(1,226,558)</u>	<u>52,500,927</u>	<u>13,502,590</u>	<u>30,543,613</u>	<u>11,582,617</u>	<u>5,816,928</u>	<u>16,588,300</u>	<u>(104,634,669)</u>	<u>24,673,748</u>
Cash flows from financing activities									
Net changes in notes payable - finance loans	-	-	-	-	-	(6,430,913)	-	-	(6,430,913)
Issuance of bonds payable	-	-	-	-	-	-	-	91,108,858	91,108,858
Net payments on bonds payable	-	(57,290,876)	(15,542,574)	(32,394,803)	(11,199,464)	-	(18,287,297)	-	(134,715,014)
Net cash provided by (used for) financing activities	<u>-</u>	<u>(57,290,876)</u>	<u>(15,542,574)</u>	<u>(32,394,803)</u>	<u>(11,199,464)</u>	<u>(6,430,913)</u>	<u>(18,287,297)</u>	<u>91,108,858</u>	<u>(50,037,069)</u>
Net increase (decrease) in cash and cash equivalents	2,578,261	(2,069,471)	(311,266)	(2,426,857)	(606,929)	(531)	147,308	16,354,290	13,664,805
Cash and cash equivalents									
Beginning	19,698,829	12,891,372	3,535,957	14,162,800	3,486,077	33,294	2,510,418	-	56,318,747
Ending	<u>\$ 22,277,090</u>	<u>\$ 10,821,901</u>	<u>\$ 3,224,691</u>	<u>\$ 11,735,943</u>	<u>\$ 2,879,148</u>	<u>\$ 32,763</u>	<u>\$ 2,657,726</u>	<u>\$ 16,354,290</u>	<u>\$ 69,983,552</u>
Supplemental disclosure of cash flow information									
Cash payments for interest	\$ -	\$ (3,640,542)	\$ (506,847)	\$ (3,304,697)	\$ (555,996)	\$ -	\$ (1,375,759)	\$ (2,146,331)	\$ (11,530,172)

South Carolina Student Loan Corporation**Consolidated Schedule of Property and Equipment****For the year ended June 30, 2021**

	Balance as of June 30, 2020	Additions	Disposals	Balance as of June 30, 2021
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	4,670,122	280,956	-	4,951,078
SCSLC automobiles	80,030	-	-	80,030
Cost total	9,473,722	280,956	-	9,754,678
Accumulated depreciation				
Building	955,518	111,761	-	1,067,279
Total buildings	955,518	111,761	-	1,067,279
SCSLC furniture and fixtures	3,266,454	675,576	-	3,942,030
SCSLC automobiles	80,030	-	-	80,030
Accumulated depreciation total	4,302,002	787,337	-	5,089,339
Net book value	\$ 5,171,720	\$ (506,381)	\$ -	\$ 4,665,339

South Carolina Student Loan Corporation**Schedule of Expenses for the Operating Fund****For the year ended June 30, 2021**

	Operating/SLC	
	2021	2020
Operating expenses		
Personnel		
Staff salaries	\$ 2,955,530	\$ 2,646,209
Social security	175,150	163,815
Group insurance	226,831	192,616
Retirement	(711,638)	1,192,842
Unemployment	23,181	21,459
Total personnel	<u>2,669,054</u>	<u>4,216,941</u>
Contractual		
Information technology	1,066,643	965,216
Third party servicing fees	2,363,066	3,045,095
Legal and professional	742,467	624,703
Accounting	174,468	154,903
Skip tracing	1,750	875
Credit bureau	72,164	63,611
Loan servicing	100,517	99,235
Total contractual	<u>4,521,075</u>	<u>4,953,638</u>
General operating		
Telephone	48,234	65,110
Printing	7,434	8,207
Postage	5,256	9,967
Supplies	16,690	10,784
Travel	9,593	17,599
Equipment maintenance	(271)	28,317
Subscriptions and fees	107,610	125,989
Meetings and conferences	223,017	227,834
Insurance - general and automotive	70,972	63,605
Outreach and awareness	580,473	360,095
Depreciation	759,337	692,680
Building expense	201,503	184,594
Third party collections	48,934	68,390
Other operating expense and contingencies	30,518	84,657
Total general operating	<u>2,109,300</u>	<u>1,947,828</u>
Total personnel, contractual services and general operating expenses	<u>\$ 9,299,429</u>	<u>\$ 11,118,407</u>

South Carolina Student Loan Corporation

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2021

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
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	<u>\$ 2,498,424</u>
Total U.S. Department of Education Programs (Major program)		<u>\$ 2,498,424</u>

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, 2021.
2. Special Allowances: The USDE now requires lenders to pay the USDE when lenders have negative special allowance. The Corporation paid \$19,245,265 during the fiscal year ended June 30, 2021.



**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, 2021, 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 30, 2021.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Elliott Davis, LLC

Columbia, South Carolina
September 30, 2021



**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 the Corporation's major federal program for the year ended June 30, 2021. The Corporation's major federal program is 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 the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We did not audit the Corporation's compliance with requirements governing *the servicing of Federal Family Education loans* in accordance with the requirements of CFDA No. 84.032L - Federal Family Education Loan Program (Lenders), as described in the *OMB Compliance Supplement*. Those requirements govern functions that are performed by National Education Loan Network, Inc. ("Nelnet"). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. Nelnet's compliance with the requirements governing the functions that they perform for the Corporation was examined by other accountants in accordance with the United States Department of Education's January 2011 *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* for the year ended December 31, 2020. Since the audit period of Nelnet is different than that of the Corporation, we obtained a representation from Nelnet that they have engaged (or will engage) an auditor to perform the required audit under the *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* for the immediate subsequent audit period. Our report does not include the results of the other accountants' examination of Nelnet's compliance with such requirements.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Corporation's major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, except for the requirements which we did not audit as discussed above, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

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.

Requirements governing the servicing of Federal Family Education loans in accordance with the requirements of CFDA No. 84.032L – Federal Family Education Loan Program (Lenders), as described in the *OMB Compliance Supplement* are performed by Nelnet. Internal control over compliance related to such functions was reported on by accountants for Nelnet in accordance with the United States Department of Education's *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* for the year ended December 31, 2020. Our report does not include the results of the other accountants' examination of Nelnet's internal control over compliance related to such functions.

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.

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 30, 2021

South Carolina Student Loan Corporation

Schedule of Findings and Questioned Costs

For the year ended June 30, 2021

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 No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance?

Yes
 No

Identification of major federal programs:

<u>CFDA No.</u>	<u>Program / Cluster Name</u>
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? Yes No

Section II. Financial Statement Findings

None reported

Section II. Federal Award Findings and Questioned Costs

None reported

South Carolina Student Loan Corporation

Summary Schedule of Prior Audit Findings

For the year ended June 30, 2021

Item 2020-001: United States Department of Education, Federal Family Education Loan Program - Lenders – CFDA No. 84.032, For the Year Ended June 30, 2020

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.

Recommendation: We recommended that 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.

Current Status: Resolved – See paragraph 2 of the *Auditor’s Responsibility* section and *Report on Internal Control Over Compliance* section of 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*.