

# **South Carolina Student Loan Corporation**

Report on Consolidated Financial Statements

For the fiscal year ended June 30, 2022

**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 Audit of the Financial Statements**

#### ***Opinion***

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, 2022, 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").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Student Loan Corporation as of June 30, 2022, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

## **Report on Summarized Comparative Information**

We have previously audited South Carolina Student Loan Corporation's 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 as presented in the table of contents 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, 2022, 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, 2022

**South Carolina Student Loan Corporation**  
*Consolidated Statement of Financial Position*  
As of June 30, 2022 (with comparative amounts for 2021)

	2022					2021 Total Memorandum Only
	Without Restrictions	With Restrictions			Total	
		Teacher Loan Program Funds	Bond Funds	Total with Restrictions		
<b>Assets</b>						
<b>Current Assets</b>						
Cash & Cash Equivalents	\$ 6,822,524	\$ 24,086,122	\$ 59,776,627	\$ 83,862,749	\$ 90,685,273	\$ 77,324,647
Investments	103,767,299	-	-	-	103,767,299	120,480,388
Student Loans Receivable	10,799,169	-	154,844,906	154,844,906	165,644,075	136,948,049
Teacher Loans Receivable	-	2,119,453	-	2,119,453	2,119,453	2,334,818
Interest Due From Borrowers	1,123,129	3,612,057	37,169,894	40,781,951	41,905,080	45,226,352
Accounts Receivable	510,437	30,617	1,990,300	2,020,917	2,531,354	1,899,814
Accrued Investment Income	-	-	30,578	30,578	30,578	515
Prepaid Expenses	816,509	-	51,638	51,638	868,147	487,277
Right to Use Asset	82,127	-	-	-	82,127	-
<b>Total Current Assets</b>	<u>123,921,194</u>	<u>29,848,249</u>	<u>253,863,943</u>	<u>283,712,192</u>	<u>407,633,386</u>	<u>384,701,860</u>
<b>Non-Current Assets</b>						
Student Loans Receivable, Net of Allowances	38,473,231	-	653,463,841	653,463,841	691,937,072	861,009,692
Teacher Loans Receivable, Net of Allowances	-	30,020,540	-	30,020,540	30,020,540	29,658,207
Investments	154,505,455	-	-	-	154,505,455	182,338,865
Overfunded Defined Benefit Plan	1,790,179	-	-	-	1,790,179	1,643,796
Residual Trust Agreement	20,942,464	-	(20,942,464)	(20,942,464)	-	-
Property & Equipment, Net	903,171	-	-	-	903,171	4,665,339
<b>Total Non-Current Assets</b>	<u>216,614,500</u>	<u>30,020,540</u>	<u>632,521,377</u>	<u>662,541,917</u>	<u>879,156,417</u>	<u>1,079,315,899</u>
<b>Total Assets</b>	<u>\$ 340,535,694</u>	<u>\$ 59,868,789</u>	<u>\$ 886,385,320</u>	<u>\$ 946,254,109</u>	<u>\$ 1,286,789,803</u>	<u>\$ 1,464,017,759</u>

*Continued*

**South Carolina Student Loan Corporation**  
*Consolidated Statement of Financial Position*  
As of June 30, 2022 (with comparative amounts for 2021)

	2022					2021 Total Memorandum Only
	Without Restrictions	With Restrictions			Total	
		Teacher Loan Program Funds	Bond Funds	Total with Restrictions		
<b>Liabilities and Net Assets</b>						
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Note Payable - Finance Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,045,047
Bonds Payable	-	-	173,082,617	173,082,617	173,082,617	121,528,640
Interest Payable	-	-	1,398,258	1,398,258	1,398,258	1,001,632
Accounts Payable and Accrued Expenses	1,401,898	2,223,086	29,309	2,252,395	3,654,293	3,510,182
Unearned Revenue	60,896	-	-	-	60,896	247,375
Due to U.S. Department of Education	37,661	-	2,426,442	2,426,442	2,464,103	4,372,791
Lease Liability	82,127	-	-	-	82,127	-
<b>Total Current Liabilities</b>	<b>1,582,582</b>	<b>2,223,086</b>	<b>176,936,626</b>	<b>179,159,712</b>	<b>180,742,294</b>	<b>134,705,667</b>
<b>Non-Current Liabilities</b>						
Bonds Payable	-	-	433,274,940	433,274,940	433,274,940	618,676,827
Refundable Advance	-	-	39,835,008	39,835,008	39,835,008	39,835,008
Notes Payable	-	-	-	-	-	9,123,938
Payable to the State of SC - TLP	-	57,645,703	-	57,645,703	57,645,703	56,839,669
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>57,645,703</b>	<b>473,109,948</b>	<b>530,755,651</b>	<b>530,755,651</b>	<b>724,475,442</b>
<b>Total Liabilities</b>	<b>1,582,582</b>	<b>59,868,789</b>	<b>650,046,574</b>	<b>709,915,363</b>	<b>711,497,945</b>	<b>859,181,109</b>
<b>Net Assets</b>						
<b>Net Assets without Restrictions</b>						
Board Designated for PowerED	23,411,012	-	-	-	23,411,012	20,553,840
Undesignated	315,542,100	-	-	-	315,542,100	340,495,726
	338,953,112	-	-	-	338,953,112	361,049,566
<b>Net Assets with Restrictions</b>						
Bond Indentures	-	-	236,338,746	236,338,746	236,338,746	243,787,084
<b>Total Net Assets</b>	<b>338,953,112</b>	<b>-</b>	<b>236,338,746</b>	<b>236,338,746</b>	<b>575,291,858</b>	<b>604,836,650</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 340,535,694</b>	<b>\$ 59,868,789</b>	<b>\$ 886,385,320</b>	<b>\$ 946,254,109</b>	<b>\$ 1,286,789,803</b>	<b>\$ 1,464,017,759</b>

See Notes to Consolidated Financial Statements

# South Carolina Student Loan Corporation

## Consolidated Statement of Activities

For the year ended June 30, 2022 (with comparative amounts for 2021)

	2022			2021 Total Memorandum Only
	Without Restrictions	With Restrictions	Total	
<b>Operating Revenue</b>				
Subsidized Interest	\$ 98,602	\$ 1,803,621	\$ 1,902,223	\$ 2,498,424
Special Allowance	(295,581)	(14,959,122)	(15,254,703)	(19,245,265)
Unsubsidized Interest	1,978,227	45,590,067	47,568,294	53,077,360
Other Student Loan Income	26,075	625,169	651,244	411,935
Miscellaneous Income	-	-	-	5,666
Fees for Services	588,223	-	588,223	722,077
Assets Released from Restrictions	16,426,814	(16,426,814)	-	-
<b>Total Operating Revenue</b>	<b>18,822,360</b>	<b>16,632,921</b>	<b>35,455,281</b>	<b>37,470,197</b>
<b>Operating Expenses</b>				
Personnel	3,708,345	-	3,708,345	2,669,054
Contractual Services	3,669,299	322,467	3,991,766	4,199,112
General Operating Expenses	2,577,456	-	2,577,456	2,689,611
Interest on Debt	-	13,410,042	13,410,042	12,527,618
Bond Trust Operating Fees	2,800	235,219	238,019	230,531
Payments per Loan Agreement	-	1,750,628	1,750,628	978,799
Loan Fees	118,734	3,421,886	3,540,620	4,116,708
Borrower Benefits	31,936	2,330,681	2,362,617	2,827,592
Reinsurance Expense	13,953	507,629	521,582	514,595
Loan Loss Reserve Expense	528,601	2,177,673	2,706,274	2,351,868
<b>Total Operating Expenses</b>	<b>10,651,124</b>	<b>24,156,225</b>	<b>34,807,349</b>	<b>33,105,488</b>
<b>Non-Operating Revenue (Expense)</b>				
Non-Recurring Expenses	1,060,225	-	1,060,225	-
Investment Income, Net of Fees	(29,207,465)	74,966	(29,132,499)	38,652,144
<b>Total Non-Operating Revenue (Expense)</b>	<b>(30,267,690)</b>	<b>74,966</b>	<b>(28,072,274)</b>	<b>38,652,144</b>
<b>Changes in net assets</b>	<b>(22,096,454)</b>	<b>(7,448,338)</b>	<b>(29,544,792)</b>	<b>43,016,853</b>
<b>Net Assets</b>				
Beginning	361,049,566	243,787,084	604,836,650	561,819,797
Ending	<u>\$338,953,112</u>	<u>\$236,338,746</u>	<u>\$575,291,858</u>	<u>\$604,836,650</u>

See Notes to Consolidated Financial Statements

## South Carolina Student Loan Corporation

### Consolidated Statement of Functional Expenses

For the year ended June 30, 2022 (with comparative amounts for 2021)

	Program Expenses		Support Services	Total	2021 Total Memorandum Only
	Private Loans	Federal Loans	Management and General		
<b>Operating Expenses</b>					
Personnel					
Salaries and Wages	\$ 2,575,073	\$ 321,884	\$ 321,884	\$ 3,218,841	\$ 2,955,530
Employee Benefits	237,857	29,732	29,732	297,321	(484,807)
Payroll Taxes and Unemployment	153,747	19,218	19,218	192,183	198,331
Total Personnel	<u>2,966,677</u>	<u>370,834</u>	<u>370,834</u>	<u>3,708,345</u>	<u>2,669,054</u>
Contractual Services					
Information Technology	892,757	111,595	111,595	1,115,947	1,085,843
Third Party Servicing	904,989	1,500,746	-	2,405,735	2,610,558
Legal and Professional	148,570	18,571	18,571	185,712	149,453
Accounting	72,424	9,053	9,053	90,530	178,827
Loan Servicing	193,842	-	-	193,842	174,431
Total Contractual Services	<u>2,212,582</u>	<u>1,639,965</u>	<u>139,219</u>	<u>3,991,766</u>	<u>4,199,112</u>
General Operating Expenses					
General Administrative	1,010,090	124,611	124,611	1,259,312	1,487,826
Outreach	544,088	-	-	544,088	580,713
Other Operating	619,244	77,406	77,406	774,056	621,072
Total General Operating Expenses	<u>2,173,422</u>	<u>202,017</u>	<u>202,017</u>	<u>2,577,456</u>	<u>2,689,611</u>
Student Loan and Bond Expenses					
Loan Fees	-	3,540,620	-	3,540,620	4,116,708
Payments per Loan Agreement	461,498	1,289,130	-	1,750,628	978,799
Bond Trust Operating Fees	21,413	216,606	-	238,019	230,531
Borrower Benefits	196,128	2,166,489	-	2,362,617	2,827,592
Reinsurance Expense	-	521,582	-	521,582	514,595
Loan Loss Reserve Expense	2,719,771	(13,497)	-	2,706,274	2,351,868
Interest on Debt	5,234,559	8,175,483	-	13,410,042	12,527,618
Total Student Loan and Bond Expenses Total	<u>8,633,369</u>	<u>15,896,413</u>	<u>-</u>	<u>24,529,782</u>	<u>23,547,711</u>
Operating Expenses	<u>\$ 15,986,050</u>	<u>\$ 18,109,229</u>	<u>\$ 712,070</u>	<u>\$ 34,807,349</u>	<u>\$ 33,105,488</u>

**South Carolina Student Loan Corporation**  
**Consolidated Statement of Cash Flows**  
**For the year ended June 30, 2022 (with comparative amounts for 2021)**

	2022				2021 Total Memorandum Only	
	Without Restrictions	With Restrictions		Total		
		Teacher Loan Program Funds	Bond Funds	Total with Restrictions		
<b>Cash flows from operating activities</b>						
Changes in net assets	\$ (22,096,454)	\$ -	\$ (7,448,338)	\$ (7,448,338)	\$ (29,544,792)	\$ 43,016,852
Adjustments to reconcile changes in net assets to cash provided by (used for) operating activities:						
Depreciation	476,472	-	-	-	476,472	787,336
Loss on sale of building	852,691	-	-	-	852,691	-
Unrealized (gain) loss on investments	35,370,566	-	-	-	35,370,566	(30,406,311)
Amortization of bond discounts and bond issuance costs	-	-	2,671,244	2,671,244	2,671,244	1,271,594
Loan loss reserve expense	528,601	-	2,177,673	2,177,673	2,706,274	2,351,867
Changes in operating assets and liabilities:						
Accounts receivable	(412,704)	193,964	(407,749)	(213,785)	(626,489)	(299,617)
Interest due from borrowers	(422,669)	118,616	3,625,325	3,743,941	3,321,272	998,847
Prepaid expenses	(416,876)	-	9,857	9,857	(407,019)	132,263
Defined benefit plan	(146,383)	-	-	-	(146,383)	(962,020)
Accrued investment income	-	-	(30,063)	(30,063)	(30,063)	2,711
Accounts payable and accrued expenses	(696,440)	837,386	425,932	1,263,318	566,878	(777,962)
Unearned Revenue	(54,071)	-	(132,408)	(132,408)	(186,479)	(174,131)
Due to the United States Department of Education	(31,346)	-	(1,882,388)	(1,882,388)	(1,913,734)	(83,639)
Payable to the State of South Carolina	-	806,034	-	806,034	806,034	3,149,948
Net cash provided by (used for) operating activities	12,951,387	1,956,000	(990,915)	965,085	13,916,472	19,007,738
<b>Cash flows from investing activities</b>						
Proceeds from sale of property and equipment	2,760,000	-	-	-	2,760,000	-
Purchases of property and equipment	(326,996)	-	-	-	(326,996)	(280,956)
Net changes in student loans receivable	(25,078,895)	-	162,749,216	162,749,216	137,670,321	115,518,982
Net changes in teacher loans receivable	-	(146,968)	-	(146,968)	(146,968)	(1,226,558)
Net changes in investments	9,175,933	-	-	-	9,175,933	(69,949,907)
Net cash provided by (used for) investing activities	(13,469,958)	(146,968)	162,749,216	162,602,248	149,132,290	44,061,561
<b>Cash flows from financing activities</b>						
Net changes in notes payable-finance loans	-	-	(13,168,984)	(13,168,984)	(13,168,984)	(6,430,913)
Payments on bonds payable	-	-	(136,519,152)	(136,519,152)	(136,519,152)	(43,606,155)
Net cash provided by (used for) financing activities	-	-	(149,688,136)	(149,688,136)	(149,688,136)	(50,037,068)
<b>Net increase (decrease) in cash and cash equivalents</b>	(518,571)	1,809,032	12,070,165	13,879,197	13,360,626	13,032,231
<b>Cash and Cash equivalents</b>						
Beginning	7,341,095	22,277,090	47,706,462	69,983,552	77,324,647	64,292,416
Ending	\$ 6,822,524	\$ 24,086,122	\$ 59,776,627	\$ 83,862,749	\$ 90,685,273	\$ 77,324,647
<b>Supplemental disclosure of cash flow information</b>						
Cash payments for interest	\$ -	\$ -	\$ (9,928,281)	\$ (9,928,281)	\$ (9,928,281)	\$ (11,530,172)

# South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

## Notes to Consolidated Financial Statements

### Note 1. Description of the Organization

#### **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.

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 was established as a holding company for a for-profit venture of the Corporation. 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. SC3 operated as a call and customer contact center with a client base within the healthcare industry. The activities and positions of PIHI and SC3 have been apart of the Corporation's consolidated corporate structure since inception. 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 a part of the Corporation's consolidated financial statements, however, the activities of EdVantage are not currently active.

#### **OVERALL OPERATING ARRANGEMENTS**

The Corporation's primary source of operating revenues derive from providing financial assistance to qualified borrowers for postsecondary education through the issuance of student loans. Since its inception the Corporation served as the State of South Carolina's Eligible Lender under the Federal Family Educational Program ("FFELP") and its predecessors until the FFELP was discontinued in 2010. Since July 1, 2010, all federal loan programs have been originated under the Federal Direct Loan Program. Unlike FFELP, which relied on a network of both private for-profit and nonprofit lenders like the Corporation as well as state and local governmental and quasi-governmental lenders for the origination and funding of loans, the Federal Direct Loan program utilizes direct federal lending of student loans through participating educational institutions. The Corporation does, however, continue to serve as the eligible holder of the previously originated FFELP loans and still owns and administers a portfolio of various FFELP Stafford (subsidized and unsubsidized), Supplemental Loans for Students ("SLS"), PLUS (parent and graduate student), and Consolidation Loans whose revenues derive in the form of fees and interest which can be subsidized or unsubsidized.

# South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

## Note 1. Description of the Organization, cont.

Currently the Corporation serves its mission through the issuance of private (non-federal) unguaranteed student, parent, and refinance loans. The Corporation has used and continues to use several sources of funding to fund both FFELP and private loans. One of these sources is through the issuance of tax-exempt bonds issued through a conduit tax-exempt debt issuer such as the South Carolina State Education Assistance Authority (the "Authority") which is a body politic and a corporate public instrumentality of the State of South Carolina. The Authority was created to facilitate the functions to provide and guarantee financing for education loans for students and parents. The Corporation and the Authority have entered into various contractual agreements over the years for the financing of educational loans through tax-exempt bonds. In each agreement the Authority has agreed to lend bond proceeds to the Corporation to make or acquire educational loans and the Corporation has secured these agreements by signing a finance note or promissory note to pay or fulfill an obligation in return.

The Corporation also provides certain contractual services to administer various student loan programs, including but not limited to the South Carolina Teachers Loan Program on behalf of the State Department of Education, and is paid a fee for those services. In addition to administering student loan programs, the Corporation also provides certain contractual services such as accounting and administrative functions on behalf of the Authority. In all cases the Corporation charges and receives a fee for these services.

The Corporation outsources the servicing functions of all FFELP, private, and teacher loan programs. Since 2016, the Corporation has engaged in contractual arrangements with National Education Loan Network ("Nelnet") to perform servicing functions on behalf of the FFELP loans owned and/or administered by the Corporation. Servicing of the Corporation's private loans have been outsourced to Firstmark Services, a division of Nelnet, since January 13, 2017. On February 16, 2019, the Corporation outsourced certain servicing functions of the teacher loan program. The Corporation continues to originate and administer its private loan programs as well as providing these services to others on a contractual basis such as the teacher loan program.

### **LOAN PROGRAMS**

#### FEDERAL FAMILY EDUCATION LOANS AND FEDERAL REINSURANCE LOANS

The FFELP, formally known as the Guaranteed Student Loan Program was established under the Higher Education Act of 1965, as amended (the "Higher Education Act") in an effort to assure access of students and their parents to loans for postsecondary education. The FFELP loans are owned by private entities but insured (guaranteed) by the federal government. The FFELP loans have both fixed and variable interest rates established by statute and the eligibility criteria as well as the repayment terms that are dependent upon the loan type established under the FFELP.

## South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

### Note 1. Description of the Organization, cont.

Most outstanding FFELP loans first disbursed before July 1, 2006, have variable interest rates. These variable interest rates can change year to year (from July 1 of one year through June 30 of the following year) and are reset 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 1.70% to 3.10% with a cap on the rate of 8.25% to 12.00%. FFELP loans made after July 1, 2006 have fixed interest rates that range from 5.60% to 8.50% based on loan time and first disbursement date. A full listing of this schedule can be found on the United States Department of Education (“USDE”) website for Federal Student aid.

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, 2022 are \$649,438,094.

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.

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, 2022, the Corporation remitted \$15,254,702 of interest income in excess of the special allowance support level to the USDE. The Corporation's FFELP subsidized interest earnings and special allowances can be found in the revenue section of the Corporation's Statement of Activities.

Consolidation loans under FFELP are subject to a rebate fee paid by the lender and is calculated annually by the Secretary at USDE. Lenders are required to pay these fees monthly based upon month-end balances of lender held consolidation loans. The rebate fees paid by the Corporation for FFELP Consolidation loans can be found in the operating expenses as “Loan fees” in the Corporation's Statement of Activities.

## South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

### Note 1. Description of the Organization, cont.

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 FFELP loans.

#### TEACHER LOAN PROGRAMS (ADMINISTERED BY THE CORPORATION)

During the fiscal year ended June 30, 1985, the Corporation began administering the South Carolina Teachers 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](http://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 Financials*

*For the year ended June 30, 2022*

### Note 1. Description of the Organization, cont.

The Corporation as the administrator 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; reviews and processes 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, 2022, the balance of Fund 41L1 was \$18,450,367.

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, 2022, the balance of Fund 4019 was \$ 76,280.

Teacher loan borrowers who do not teach are required to begin repayment six months after graduation or cease to be enrolled at least half-time. Effective for loans disbursed on or after July 1, 2013, the interest rate shall equal the Direct Stafford loan interest rate charged for unsubsidized loans to undergraduate students plus 2%, not to exceed 8.25%.

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 Corporation reports the activities of these funds to SCDE, CHE, and in the notes of the Corporation's Audited Financial Statements.

# South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

## Note 1. Description of the Organization, cont.

### PRIVATE (NOT FEDERALLY GUARANTEED) EDUCATION STUDENT LOAN PROGRAMS

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.

During the fiscal year ended June 30, 2010, the Corporation restructured the PAL Program and began marketing the restructured program. The new PAL Program initially limited 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. At inception, only fixed rate loans were offered, with the rate being determined by the enrolled payment option selected by the borrower. These loans were initially funded by an \$85,000,000 bond offering issued by the Authority dated November 5, 2009.

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 borrower was required to have a minimum FICO score of 675. The borrower 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 low volume and the need to update underwriting criteria for refinance loans.

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 borrower 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 December 18, 2019, a minimum FICO score of 670 and a debt-to-income ratio of 43% or less are required as part of the determination of the creditworthiness of each applicant. These loans were initially funded from available funds of the Corporation that are without restrictions. Loans are offered only in fixed interest rates. At inception, the interest rate offered was based on the borrower selected repayment term length.

During the fiscal year ended June 30, 2017, the Corporation began offering PAL Program loans to parent borrowers on behalf of a benefiting student, and added borrower or cosigner credit score as a factor in determining loan pricing.

## South Carolina Student Loan Corporation

### Notes to Consolidated Financials

For the year ended June 30, 2022

#### Note 1. Description of the Organization, cont.

During the fiscal year ended June 30, 2019, the Corporation began offering PAL Program loans in both fixed and variable interest rates, and added the borrower selected repayment term length as a factor in determining loan pricing. Initially, the variable rate was reset quarterly using the one-month LIBOR rate two business days prior to the start of each quarter. Variable rates are capped at 12.00%.

During the fiscal year ended June 30, 2021, the Corporation added borrower or cosigner credit score as a factor in determining loan pricing for the PAL ReFi Loan Program. The Corporation also began funding a portion of PAL Program and PAL ReFi program loans from the proceeds of a \$92,710,000 bond offering issued by the Corporation on August 20, 2020.

During the fiscal year ended June 30, 2022, the Corporation transitioned away from the use of the one-month LIBOR rate for setting variable rates. Beginning November 1, 2021, all new variable rate loans were originated using the one-month Term SOFR index. Rates continue to reset quarterly using the rate two business days prior to the start of each quarter.

Historical rates offered for the PAL Program and PAL ReFi Program are as follows:

Loan Type	Begin Date	End Date	Fixed Rate	Variable Rate Margin
PAL Program In-school	11/1/2009	8/23/2012	7.15% - 9.15%	N/A
PAL Program In-school	8/24/2012	6/30/2014	6.75% - 8.75%	N/A
PAL Program In-school	7/1/2014	8/8/2016	6.00% - 8.00%	N/A
PAL Program In-school	8/9/2016	6/28/2017	4.99% - 6.99%	N/A
PAL Program In-school	6/29/2017	4/29/2018	3.99% - 6.99%	N/A
PAL Program In-school	4/30/2018	6/30/2018	3.99% - 7.99%	N/A
PAL Program In-school	7/1/2018	6/30/2020	4.75% - 8.75%	1.500% - 5.850%
PAL Program In-school	7/1/2020	10/31/2021	4.75% - 8.95%	3.625% - 8.175%
PAL Program In-school	11/1/2021	7/18/2022	4.75% - 8.95%	3.625% - 8.125%
PAL Program In-school	7/19/2022		4.875% - 9.875%	2.500% - 7.500%
PAL Refi	6/1/2013	6/30/2015	6.75%	N/A
PAL Refi	7/1/2015	10/5/2016	5.00% - 6.25%	N/A
PAL Refi	10/6/2016	9/30/2017	4.75% - 6.00%	N/A
PAL Refi	10/1/2017	10/15/2018	4.24% - 6.24%	N/A
PAL Refi	10/16/2018	12/17/2019	4.49% - 5.99%	N/A
PAL Refi	12/18/2019	6/14/2020	4.72% - 7.22%	N/A
PAL Refi	6/15/2020	11/11/2020	4.24% - 7.24%	N/A
PAL Refi	11/12/2020	5/31/2021	2.99% - 7.24%	N/A
PAL Refi	6/1/2021	11/30/2021	3.24% - 8.24%	N/A
PAL Refi	12/1/2021		2.74% - 8.22%	N/A

# South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

## Note 2. Summary of Significant Accounting Policies

### **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.

### **CONSOLIDATED 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.

### **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, 2022, 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, 2022, believed each institution is well-capitalized with no going concern issues.

# South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

## Note 2. Summary of Significant Accounting Policies, cont.

### **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 \$8,550,374 at June 30, 2022.

### **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 FFELP 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, 2022. The allowance for loan loss was \$38,446,813 for PAL loans and \$627,911 for the FFELP unencumbered/unrestricted loans at June 30, 2022.

### **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. Employees are 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). 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 Financials*

*For the year ended June 30, 2022*

## Note 2. Summary of Significant Accounting Policies, cont.

### **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 2018.

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 was a taxable entity and PIHI held no income tax provisions after its closure in 2021.

### **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 6).

### **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 FFELP. 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 Authority under finance loan agreements, 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 Financials*

*For the year ended June 30, 2022*

### Note 2. Summary of Significant Accounting Policies, cont.

#### **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:**

In June 2016, the FASB issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. The guidance requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. The amendments will be effective for the Corporation for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. Early adoption is permitted for all organizations for periods beginning after December 15, 2018. The Corporation is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

In May 2019, the FASB issued guidance to provide entities with an option to irrevocably elect the fair value option, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The amendments will be effective for the Corporation for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Corporation does not expect these amendments to have a material effect on its financial statements.

In November 2019, the FASB issued guidance to defer the effective dates for private companies, not-for-profit organizations, and certain smaller reporting companies applying standards on current expected credit losses ("CECL"), leases, hedging. The new effective dates will be as follows: (1) CECL - fiscal years beginning after December 15, 2022 including interim periods within those fiscal years; Hedging - fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021; and Leases - fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Corporation does not expect these amendments to have a material effect on its financial statements.

In November 2019, the FASB issued guidance that addresses issues raised by stakeholders during the implementation of ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments affect a variety of Topics in the Accounting Standards Codification. The amendments are effective for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. Early adoption is permitted in any interim period as long as an entity has adopted the amendments in ASU 2016-13. The Corporation does not expect these amendments to have a material effect on its financial statements.

During February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (Topic 842). In June 2020, the FASB issued guidance to defer the effective dates for certain companies and organizations which have not yet applied the revenue recognition and leases guidance by one year. The new effective dates for entities that have not already adopted will be: Revenue Recognition: annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020; Leases: fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. This accounting standard was adopted by the Corporation in the fiscal year ended June 30, 2022.

# South Carolina Student Loan Corporation

Notes to Consolidated Financials

For the year ended June 30, 2022

## Note 2. Summary of Significant Accounting Policies, cont.

### 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, 2021, from which the summarized information was derived.

### RECLASSIFICATION

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, 2022, the date these financial statements were available to be issued.

## Note 3. Cash and Cash Equivalents

As of June 30, 2022, cash and cash equivalents include demand deposits and short-term investments with an original maturity of three months or less as follows:

	<u>Cost</u>	<u>Market Value</u>
Without Restrictions		
Collateralized demand deposits	\$ 6,822,524	\$ 6,822,524
Total without Restrictions	<u>\$ 6,822,524</u>	<u>\$ 6,822,524</u>
With Restrictions		
<u>Bond Funds:</u>		
Money market	\$ 59,776,628	\$ 59,776,628
<u>Teacher Loan Program Funds:</u>		
Collateralized demand deposits	203,366	203,366
South Carolina State Treasurer pool	24,628,134	23,882,756
Total with Restrictions	<u>\$ 84,608,128</u>	<u>\$ 83,862,749</u>
Total - Corporation Funds	66,599,151	66,599,151
Total - Teacher Loan Program Funds	24,831,500	24,086,122
Total Cash and Cash Equivalents	<u>\$ 91,430,652</u>	<u>\$ 90,685,273</u>

## South Carolina Student Loan Corporation

### Notes to Consolidated Financials

For the year ended June 30, 2022

#### Note 4. Investments

The market value of investments is determined by quoted market values and consists of the following as of June 30, 2022:

	<u>Cost</u>	<u>Market Value</u>
Without Restrictions		
Mutual Funds	\$ 23,281,520	\$ 20,813,700
Stocks/bonds	223,092,084	227,235,708
Insured deposit/repurchase obligations	10,223,346	10,223,346
<b>Total</b>	<u>\$ 256,596,950</u>	<u>\$ 258,272,754</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.

The Corporation's investment activity consists of the following as of the fiscal year ended June 30, 2022:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Realized Investment Income	\$ 6,891,101	\$ 74,966	\$ 6,966,067
Unrealized gains (losses) on Investments	(35,370,566)		(35,370,566)
Investment expenses	(728,000)		(728,000)
<b>Net Investment income (loss)</b>	<u>\$ (29,207,465)</u>	<u>\$ 74,966</u>	<u>\$ (29,132,499)</u>

#### Note 5. 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.

## South Carolina Student Loan Corporation

### Notes to Consolidated Financials

For the year ended June 30, 2022

#### Note 5. Disclosure About Fair Value of Financial Instruments, cont.

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. The 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, 2022 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.

The fair value of the Corporation's financial instruments as of June 30, 2022, are presented below:

	<u>Carrying Value</u>	<u>Estimated Fair Value</u>
Financial Assets		
Cash and cash equivalents	\$ 66,599,151	\$ 66,599,151
Investments	256,593,863	258,272,754
Student loan receivables	857,581,147	857,581,147
Financial Liabilities		
Bonds payable	\$ 606,357,557	\$ 606,357,557

	<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial Assets				
Cash and cash equivalents	\$ 66,599,151	\$ 66,599,151	\$ -	\$ -
Insured Deposit	10,223,346	10,223,346	-	-
Mutual funds	20,813,700	20,813,700	-	-
Corporate Bonds	227,235,708	-	227,235,708	-
Student loan receivables	857,581,147	-	857,581,147	-
Total financial assets	<u>\$ 1,182,453,052</u>	<u>\$ 97,636,197</u>	<u>\$ 1,084,816,855</u>	<u>\$ -</u>
Financial liabilities				
Bonds payable	\$ 606,357,557	\$ -	\$ 606,357,557	\$ -
Total financial liabilities	<u>\$ 606,357,557</u>	<u>\$ -</u>	<u>\$ 606,357,557</u>	<u>\$ -</u>

## South Carolina Student Loan Corporation

### Notes to Consolidated Financials

For the year ended June 30, 2022

#### Note 5. Disclosure About Fair Value of Financial Instruments, cont.

The fair value of Financial Instruments for the Teacher Loan Program as of June 30, 2022, are presented below:

		<u>Carrying Value</u>		<u>Estimated Fair Value</u>
Financial Assets				
Cash and cash equivalents-TLP	\$	24,831,500	\$	24,086,122
Teacher loan receivables		32,139,993		32,139,993
	<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial Assets				
Cash and cash equivalents-TLP	\$	24,086,122	\$	24,086,122
Teacher loan receivables		32,139,993	-	32,139,993
	<u>\$</u>	<u>56,226,115</u>	<u>\$</u>	<u>24,086,122</u>
			<u>\$</u>	<u>32,139,993</u>
			<u>\$</u>	<u>-</u>

#### Note 6. 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, 2022 were comprised of the following:

<b>Total assets at year end</b>	\$ 1,286,789,803
Less Teacher Loan Assets	<u>59,868,789</u>
Net Total Assets excluding Teacher Funds	<u>1,226,921,014</u>
Less amounts not available to be to be used within one year due to illiquidity:	
Unrestricted Prepaid expenses and other	879,436
Overfunded defined benefit plan	1,790,179
Long-term Student Loan receivable, net	38,473,231
Residual Trust Agreement	20,942,464
Property and equipment, net	<u>903,171</u>
	<u>62,988,481</u>
Less amounts not available to be used within one year due to restrictions:	
Assets with Restrictions	907,327,784
Board Designated assets, Power:ED	<u>23,411,012</u>
	<u>930,738,796</u>
Total assets available to meet cash needs for expenditures within one year	<u>\$ 233,193,738</u>

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.

## South Carolina Student Loan Corporation

### Notes to Consolidated Financials

For the year ended June 30, 2022

#### Note 7. Student Loans Receivable

Student loans receivable represents the unpaid portion of both private loans (non-federal education loans receivable) and FFELP loans owed by the Corporation. Both private and FFELP loans have both fixed and variable interest rates. Interest rates for these loan programs can be found in Note 1 herein. Below is a schedule of outstanding student loan receivables owned by the Corporation net allowances for loan loss. Below is the student loan receivable of the Corporation by loan type as of June 30, 2022.

Private Loans	With out Restrictions	1996	2008	2010	2013	2015	2020	Total
Current	\$ 6,451,857	\$ -				\$ 12,084,958	\$ 14,098,998	\$ 32,635,813
Long Term	42,070,334					88,972,851	93,673,275	\$ 224,716,460
Allowance	(18,440,261)					(16,397,168)	(3,609,383)	\$ (38,446,813)
<b>Total</b>	<b>\$ 30,081,929</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 84,660,641</b>	<b>\$ 104,162,889</b>	<b>\$ 218,905,460</b>

FFELP Loans	With out Restrictions	1996	2008	2010	2013	2015	2020	Total
Current	4,347,312	57,762,796	14,751,995	39,665,722	14,185,097	2,295,341		133,008,262
Long Term	15,471,069	208,204,398	60,966,018	150,998,400	58,275,138	12,380,312		506,295,336
Allowance	(627,910)					-		(627,910)
<b>Total</b>	<b>\$ 19,190,471</b>	<b>\$ 265,967,195</b>	<b>\$ 75,718,013</b>	<b>\$ 190,664,122</b>	<b>\$ 72,460,235</b>	<b>\$ 14,675,652</b>	<b>\$ -</b>	<b>\$ 638,675,687</b>

<b>Net Receivable</b>	<b>\$ 49,272,400</b>	<b>\$ 265,967,195</b>	<b>\$ 75,718,013</b>	<b>\$ 190,664,122</b>	<b>\$ 72,460,235</b>	<b>\$ 99,336,293</b>	<b>\$ 104,162,889</b>	<b>\$ 857,581,147</b>
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#### Note 8. 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 2 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, 2022, the Corporation held funds on deposit as cash with restrictions in the debt service funds of \$ 6,467,908.

## South Carolina Student Loan Corporation

### Notes to Consolidated Financials

For the year ended June 30, 2022

#### Note 8. Bonds Payable, cont.

##### BONDS OUTSTANDING AS OF JUNE 30, 2022

The bonds outstanding as of June 30, 2022 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding at 6/30/2021</u>	<u>Issued (Retired)</u>	<u>Balance Outstanding at 6/30/2022</u>
June 25, 2008	\$ 600,000,000	9/2/2014-9/3/2024	\$ 30,101,612	\$ (15,422,927)	\$ 14,678,685
November 30, 2010	920,000,000	1/25/2021-10/27/2036	201,695,240	(33,260,149)	168,435,091
February 20, 2013	323,620,000	1/25/2041	80,023,235	(11,568,011)	68,455,224
August 20, 2014	501,500,000	4/1/2030-8/1/2035	280,812,734	(58,802,284)	222,010,450
November 25, 2015	198,400,000	1/25/2036	72,586,943	(17,465,780)	55,121,163
August 20, 2020	92,710,000	12/1/2022-12/1/2039	92,710,000	-	92,710,000
			<u>757,929,764</u>	<u>\$(136,519,151)</u>	<u>621,410,613</u>
			<u>(17,724,297)</u>		<u>(15,053,056)</u>
			<u>\$ 740,205,467</u>		<u>\$ 606,357,557</u>
		<i>Less: unamortized cost of issuance</i>			

##### LONDON INTERBANK OFFERED RATE (LIBOR) INDEXED BONDS SECURED BY 1996 GENERAL RESOLUTION:

The Corporation's LIBOR Indexed Bonds in the 1996 General Resolution totaled \$222,010,450 as of June 30, 2022 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, 2022, 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, 2022, 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 Financials*

*For the year ended June 30, 2022*

### Note 8. Bonds Payable, cont.

#### 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 \$14,678,685 as of June 30, 2022.

#### 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 FFELP loans of the Authority in the amount of \$39,835,008 and unencumbered loans of the Corporation of \$20,942,464 principal and interest to provide additional equity to the bond offering by increasing the parity of the bonds. The funds from both the Corporation and the Authority were provided through a Residual Trust Agreement, which allows for all remaining loans of the Trust to be shared between the Corporation and the Authority on a 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 \$168,435,091 as of June 30, 2022.

## South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

### Note 8. Bonds Payable, cont.

#### 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 FFELP 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 \$68,455,224 as of June 30, 2022.

#### 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 \$55,121,163 as of June 30, 2022.

#### 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, 2022.

# South Carolina Student Loan Corporation

## Notes to Consolidated Financials

For the year ended June 30, 2022

### Note 8. Bonds Payable, cont.

#### PROJECTED DEBT SERVICE:

As of June 30, 2022, the scheduled debt service to retire the bonds and notes of the Corporation is as follows:

Required Debt Service Payments to Retire Bonds			
Bonds Payable Estimate as of Fiscal Year Ended June 30, 2022			
FYE	Principal	Interest	Totals
2023	\$ 4,840,000	\$ 22,090,316	\$ 26,930,316
2024	8,105,000	23,869,634	31,974,634
2025	21,278,685	23,227,305	44,505,990
2026	6,850,000	22,906,396	29,756,396
2027	7,990,000	22,716,359	30,706,359
2028	7,700,000	22,504,168	30,204,168
2029	6,255,000	22,306,067	28,561,067
2030	55,465,451	21,967,017	77,432,468
2031	2,600,000	20,244,302	22,844,302
2032	4,065,000	20,131,715	24,196,715
2033	105,115,000	18,382,566	123,497,566
2034	4,320,000	15,991,551	20,311,551
2035	4,455,000	15,833,908	20,288,908
2036	131,886,162	12,270,844	144,157,006
2037	171,885,091	6,357,895	178,242,986
2038	3,155,000	2,565,070	5,720,070
2039	3,250,000	2,450,004	5,700,004
2040	3,740,000	2,324,429	6,064,429
2041	68,455,224	1,504,826	69,960,050
<b>Totals</b>	<b>\$ 621,410,613</b>	<b>\$ 299,644,373</b>	<b>\$ 921,054,986</b>

The Corporation used interest rate estimates averaging 3.19% to 4.30% to estimate bond interest amounts for the table above for all bond trust except the 2020A Series for which the actual fixed rates were used.

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, 2022, the Corporation estimated they would make optional redemption or principal distribution payments for the next fiscal year of approximately \$168,242,617.

## South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

### Note 9. 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. During the fiscal year ended June 30, 2022 the Corporation optionally redeemed the remaining bonds outstanding in the 2009 PAL General Resolution and fulfilled its obligation under the Finance Loan agreement. All remaining balances of the notes payable-finance loan were paid in full by the Corporation in January 2022.

### Note 10. LIBOR Replacement

In March 2021, the United Kingdom's Financial Conduct Authority announced that it would phase out all London Interbank Offered Rate (LIBOR) by the end June 30, 2023. LIBOR assists as a globally accepted benchmark on interest rates that indicates borrowing costs between banks. Interest rates for all terms and currencies are published daily and are used as an index for financial transactions across the world. To account for the phase out of LIBOR, on March 15, 2022, the President signed the Adjustable Interest Rate (LIBOR) act into Law. The LIBOR Act amended section 438(b)(2)(I) of the Higher Education of 1965, allowing lenders or beneficial holders of the Federal Family Educational Program (FFELP) loans to transition away from LIBOR based SAP payments to a Secured Overnight Financing Rate (SOFR) on or before June 30, 2023. SOFR is a comprehensive measure of cost borrowing cash overnight collateralized by Treasury securities. In accordance with the LIBOR Act, the Corporation is working towards transitioning from LIBOR to SOFR for its LIBOR based loans and LIBOR based debt issuances. During the fiscal year ended June 30, 2022, the Corporation began offering variable rate private loans based on a one-month SOFR rate instead of the historical LIBOR index rate.

## South Carolina Student Loan Corporation

### Notes to Consolidated Financials

For the year ended June 30, 2022

#### Note 11. Assets Released from Restrictions

The following chart shows the assets released from restrictions of the bond trust to the Corporation's funds without restrictions:

Assets Released from Restrictions	1996	2008	2009	2010	2013	2015	2020	Total
Servicing Fees	\$ 1,958,532	\$ 372,946		\$ 1,362,047	\$ 514,283	\$ 1,241,504	\$ 109,441	\$ 5,558,752
Transfer of Loans							(18,672)	(18,672)
Bond Closure Transfer			8,964,109					8,964,109
Required Parity Release					1,922,625			1,922,625
<b>Total</b>	<b>\$ 1,958,532</b>	<b>\$ 372,946</b>	<b>\$ 8,964,109</b>	<b>\$ 1,362,047</b>	<b>\$ 2,436,907</b>	<b>\$ 1,241,504</b>	<b>\$ 90,769</b>	<b>\$ 16,426,813</b>

#### Note 12. 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.

##### 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. 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.

Contributions within the plan are employee self-directed. The total retirement expense for the fiscal year ended June 30, 2022 was \$161,016 and is fully funded.

## South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

### Note 12. Employee Benefit Plans, cont.

#### 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.

#### 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.

# South Carolina Student Loan Corporation

## Notes to Consolidated Financials

For the year ended June 30, 2022

### Note 12. Employee Benefit Plans, cont.

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, 2022:

Change in projected benefit obligation:	
Projected benefit obligation at June 30, 2021	\$ 6,381,935
Service cost	145,086
Interest cost	190,790
Actuarial (gain) loss	(1,188,812)
Benefits paid	<u>(81,914)</u>
Projected benefit obligation at June 30, 2022	<u>\$ 5,447,085</u>
Change in fair value of plan assets:	
Fair value of Plan assets at June 30, 2021	\$ 8,025,731
Actual return on assets	(706,553)
Benefits paid	<u>(81,914)</u>
Fair value of Plan assets at June 30, 2022	<u>\$ 7,237,264</u>
Funded status	<u>\$ 1,790,179</u>
Amounts recognized in the Consolidated Statement of Financial Position:	
Non-current assets	<u>\$ 1,790,179</u>
Amounts recognized in the Consolidated Statement of Activities	
Net loss	<u>\$ 751,916</u>

The following are weighted average assumptions used to determine benefits, obligations and net periodic benefit cost as of June 30, 2022 and 2021. The measurement date of the projected benefits obligation and plan assets was June 30, 2022.

	<u>2022</u>	<u>2021</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	4.62%	2.83%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	4.00%	4.00%

## South Carolina Student Loan Corporation

Notes to Consolidated Financials

For the year ended June 30, 2022

### Note 12. Employee Benefit Plans, cont.

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, 2022 are as follows:

Net periodic benefit cost	
Service cost	\$ 145,086
Interest cost	190,790
Expected return on plan assets	(556,431)
Amortization of accumulated gain (loss)	<u>84,005</u>
Net periodic benefit cost	<u>\$ (136,550)</u>
Employee benefit - related changes other than net periodic benefit cost	<u>\$ (9,833)</u>
Total net periodic benefit cost and employee benefit - related changes other than net periodic benefit cost	<u>\$ (146,383)</u>

The accumulated benefit obligation for the DBP was \$5,074,200 at June 30, 2022.

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, 2022 is as follows:

Money market	2.92%
Debt securities	30.80%
Equity securities	53.24%
Insurance policies	<u>13.04%</u>
	<u>100.00%</u>

## South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

### Note 12. Employee Benefit Plans, cont.

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 always compliant with applicable government regulations. The Corporation does not expect to make contributions to its DBP during the fiscal year ending June 30, 2023.

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

2023	\$	166,000
2024		218,000
2025		220,000
2026		270,000
2027		295,000
2028 – 2032		1,814,000

## South Carolina Student Loan Corporation

*Notes to Consolidated Financials*

*For the year ended June 30, 2022*

### Note 13. Rental Property, Operating Leases and Commitments

In December 2021, the Corporation sold the office building located at 8906 Two Notch Road in Columbia, South Carolina to Genesis Health Care and recorded a loss of \$852,691 as a result of that sale. The Corporation then entered a short term (12 month) lease agreement with Genesis to lease back approximately 13,500 square feet of the 8906 Two Notch Road building at \$15,750/month for a total lease liability of \$189,000. As of the fiscal year ended June 30, 2022, the Corporation's remaining lease liability for lease at 8906 Two Notch Road was \$82,127.

In April 2022, the Corporation entered into a lease agreement with AgFirst Farm Credit Bank effective in September 2022 for a period of 103 months for a building located at 1901 Main Street. The following schedule reflects the expected future lease obligations for the 1901 Main Street lease should the lease commence in the fiscal year ending June 30, 2023:

Year Ending June 30,	Amount
2023	\$ 60,575
2024	243,730
2025	249,450
2026	255,170
2027	260,890
2028-2031	1,028,745
<b>Total</b>	<b>\$ 2,098,560</b>

### 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 \$23,411,012 to Power:Ed for its future endeavors.

## South Carolina Student Loan Corporation

### Notes to Consolidated Financials

For the year ended June 30, 2022

#### Note 15. Property and Equipment

The following is a summary of changes in property and equipment for the fiscal years ended June 30, 2021 and June 30, 2022:

	Balance as of <u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	Balance as of <u>June 30, 2022</u>
<b>Cost</b>				
Land	\$ 364,900	\$ -	\$ (364,900)	\$ -
Total land	<u>364,900</u>	<u>-</u>	<u>(364,900)</u>	<u>-</u>
Building	4,358,670	-	(4,358,670)	-
Total buildings	<u>4,358,670</u>	<u>-</u>	<u>(4,358,670)</u>	<u>-</u>
SCSLC furniture and fixtures	4,951,078	326,995	(1,181,051)	4,097,022
SCSLC automobiles	80,030	-	-	80,030
Cost total	<u>9,754,678</u>	<u>326,995</u>	<u>(5,904,621)</u>	<u>4,177,052</u>
<b>Accumulated depreciation</b>				
Building	1,067,279	-	(1,067,279)	-
Total buildings	<u>1,067,279</u>	<u>-</u>	<u>(1,067,279)</u>	<u>-</u>
SCSLC furniture and fixtures	3,942,030	427,212	(1,175,391)	3,193,851
SCSLC automobiles	80,030	-	-	80,030
Accumulated depreciation total	<u>5,089,339</u>	<u>427,212</u>	<u>(2,242,670)</u>	<u>3,273,881</u>
Net book value	<u>\$ 4,665,339</u>	<u>\$ (100,217)</u>	<u>\$ (3,661,951)</u>	<u>\$ 903,171</u>

#### Note 16. 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 Financials

For the year ended June 30, 2022

### Note 17. Teacher Loan Program 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 \$4,883,140. 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, 2022, the Teacher Loan programs cancelled \$4,052,711 of teacher loans. The activities of these programs are summarized below:

Revenues:	
Unsubsidized student loan interest	\$ 1,400,444
Late charges	21,305
State appropriations - State Department of Education	4,883,140
Investment Income	262,809
Unrealized loss on investments	(1,162,288)
	<u>5,405,410</u>
Expenses:	
Contractual services	538,099
General Operating Expenses	102
Borrower Benefits	8,464
TLP cancellations	4,052,711
	<u>4,599,376</u>
Additions to payable to the State	806,034
Payable to the State, beginning	56,839,669
Payable to the State, ending	<u>\$ 57,645,703</u>

### Note 18. Subsequent Events

On August 24, 2022, the Biden-Harris Administration announced a Student Debt Relief Plan that provides up to \$20,000 in loan forgiveness for federal student loans held by the Department of Education. The Corporation is in the process of evaluating the potential impact of this announcement on our financial statements.

**South Carolina Student Loan Corporation**

*Consolidated Schedule of Financial Position (with Restrictions detail by Fund)*

*As of June 30, 2022*

	Without Restrictions	With Restrictions							2020 Resolution	Total
		Teacher Loan Program Funds	1996 Resolution	2008 Resolution	2009 PAL Resolution	2010 - 1 Resolution	2013 - 1 Resolution	2015 Resolution		
<b>Assets</b>										
<b>Current Assets</b>										
Cash & Cash Equivalents	\$ 6,822,524	\$ 24,086,122	\$ 16,281,437	\$ 4,143,932	\$ -	\$ 17,864,531	\$ 3,006,625	\$ 2,483,362	\$ 15,996,740	\$ 90,685,273
Current Investments	103,767,299	-	-	-	-	-	-	-	-	103,767,299
Student Loan Receivable	10,799,169	-	57,762,796	14,751,995	-	39,665,722	14,185,097	14,380,298	14,098,998	165,644,075
Teacher Loans	-	2,119,453	-	-	-	-	-	-	-	2,119,453
Interest Due From Borrowers	1,123,129	3,612,057	11,552,872	3,909,743	-	11,543,820	5,136,210	1,339,727	3,687,522	41,905,080
Accounts Receivable	510,437	30,617	927,543	133,732	-	549,297	130,473	43,182	206,073	2,531,354
Accrued Investment Income	-	-	10,001	2,817	-	13,217	4,543	-	-	30,578
Prepaid Expenses	816,509	-	6,878	3,982	-	17,240	11,663	11,875	-	868,147
Right to Use Asset	82,127	-	-	-	-	-	-	-	-	82,127
<b>Total Assets - Short Term</b>	<b>123,921,194</b>	<b>29,848,249</b>	<b>86,541,527</b>	<b>22,946,201</b>	<b>-</b>	<b>69,653,827</b>	<b>22,474,611</b>	<b>18,258,444</b>	<b>33,989,333</b>	<b>407,633,386</b>
<b>Non-Current Assets</b>										
Student Loan Receivable, net of allowances	38,473,231	-	208,204,398	60,966,018	-	150,998,400	58,275,138	84,955,995	90,063,892	691,937,072
Teacher Loan Receivable, net of allowances	-	30,020,540	-	-	-	-	-	-	-	30,020,540
Investments, Long Term Focus	154,505,455	-	-	-	-	-	-	-	-	154,505,455
Overfunded Defined Benefit Plan	1,790,179	-	-	-	-	-	-	-	-	1,790,179
Residual Trust Agreement	20,942,464	-	-	-	-	(20,942,464)	-	-	-	-
Property, Plant & Equipment, net	903,171	-	-	-	-	-	-	-	-	903,171
<b>Total Non-current Assets</b>	<b>216,614,500</b>	<b>30,020,540</b>	<b>208,204,398</b>	<b>60,966,018</b>	<b>-</b>	<b>130,055,936</b>	<b>58,275,138</b>	<b>84,955,995</b>	<b>90,063,892</b>	<b>879,156,417</b>
<b>Total Assets</b>	<b>\$ 340,535,694</b>	<b>\$ 59,868,789</b>	<b>\$ 294,745,925</b>	<b>\$ 83,912,219</b>	<b>\$ -</b>	<b>\$ 199,709,763</b>	<b>\$ 80,749,749</b>	<b>\$ 103,214,439</b>	<b>\$ 124,053,225</b>	<b>\$ 1,286,789,803</b>
<b>Liabilities and Net Assets</b>										
<b>Liabilities</b>										
<b>Current Liabilities</b>										
Current Maturities of Bonds Payable	\$ -	\$ -	\$ 61,106,596	\$ 14,678,685	\$ -	\$ 41,598,343	\$ 13,085,440	\$ 16,320,990	\$ 26,292,563	\$ 173,082,617
Interest Payable	-	-	401,745	31,778	-	700,306	16,152	19,131	229,146	1,398,258
Accounts Payable & Accrued payables	1,401,898	2,223,086	-	3,149	-	-	-	500	25,660	3,654,293
Unearned Revenue	60,896	-	-	-	-	-	-	-	-	60,896
Due To US Dept of Education	37,661	-	511,997	192,017	-	1,097,303	572,013	53,112	-	2,464,103
Lease Liability	82,127	-	-	-	-	-	-	-	-	82,127
<b>Total Liabilities - Short Term</b>	<b>1,582,582</b>	<b>2,223,086</b>	<b>62,020,338</b>	<b>14,905,629</b>	<b>-</b>	<b>43,395,952</b>	<b>13,673,605</b>	<b>16,393,733</b>	<b>26,547,369</b>	<b>180,742,294</b>
<b>Non-Current Liabilities</b>										
Bonds Payable	-	-	157,934,672	-	-	125,626,892	54,351,884	30,310,916	65,050,576	433,274,940
Refundable Advance	-	-	-	-	-	39,835,008	-	-	-	39,835,008
Payable to State SC - TLP	-	57,645,703	-	-	-	-	-	-	-	57,645,703
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>57,645,703</b>	<b>157,934,672</b>	<b>-</b>	<b>-</b>	<b>165,461,900</b>	<b>54,351,884</b>	<b>30,310,916</b>	<b>65,050,576</b>	<b>530,755,651</b>
<b>Total Liabilities</b>	<b>\$ 1,582,582</b>	<b>\$ 59,868,789</b>	<b>\$ 219,955,010</b>	<b>\$ 14,905,629</b>	<b>\$ -</b>	<b>\$ 208,857,852</b>	<b>\$ 68,025,489</b>	<b>\$ 46,704,649</b>	<b>\$ 91,597,945</b>	<b>\$ 711,497,945</b>
<b>Net Assets</b>										
<b>Net Assets without Restrictions</b>										
Board Designated for PowerED	\$ 23,411,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,411,012
Undesignated	315,542,100	-	-	-	-	-	-	-	-	315,542,100
<b>Net Assets with Restrictions</b>										
Bond Indentures	-	-	74,790,915	69,006,590	-	(9,148,089)	12,724,260	56,509,790	32,455,280	236,338,746
<b>Total Net Assets</b>	<b>338,953,112</b>	<b>-</b>	<b>74,790,915</b>	<b>69,006,590</b>	<b>-</b>	<b>(9,148,089)</b>	<b>12,724,260</b>	<b>56,509,790</b>	<b>32,455,280</b>	<b>575,291,858</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 340,535,694</b>	<b>\$ 59,868,789</b>	<b>\$ 294,745,925</b>	<b>\$ 83,912,219</b>	<b>\$ -</b>	<b>\$ 199,709,763</b>	<b>\$ 80,749,749</b>	<b>\$ 103,214,439</b>	<b>\$ 124,053,225</b>	<b>\$ 1,286,789,803</b>

**South Carolina Student Loan Corporation**

*Consolidated Schedule of Activities (with Restrictions detail by Fund)*

*For the year ended June 30, 2022*

	With Restrictions							Total	(Information Only) Teacher Loan Program Funds	
	Without Restrictions	1996 Resolution	2008 Resolution	Tax Exempt 2009 Resolution	2010-1 Resolution	2013-1 Resolution	2015 Resolution			2020 Resolution
<b>Operating Revenue</b>										
Subsidized Interest	\$ 98,602	\$ 590,892	\$ 212,141	\$ 4,954	\$ 679,879	\$ 260,539	\$ 55,216	\$ -	\$ 1,902,223	\$ -
Special Allowance	(295,581)	(3,328,806)	(1,611,201)	(37,539)	(6,426,159)	(3,210,394)	(345,023)	-	(15,254,703)	-
Unsubsidized Interest	1,978,227	13,556,122	3,593,369	706,107	11,677,616	4,797,091	4,185,407	7,074,355	47,568,294	1,400,444
Other Student Loan Income	26,075	193,253	87,205	10,552	158,652	66,717	65,767	43,023	651,244	21,305
State Appropriations - Dept of Education	-	-	-	-	-	-	-	-	-	4,883,140
Fees for Services	588,223	-	-	-	-	-	-	-	588,223	-
Assets Released form Restrictions	16,426,814	(1,958,532)	(372,946)	(8,964,109)	(1,362,047)	(2,436,907)	(1,241,504)	(90,769)	-	-
<b>Total Operating Revenue</b>	<b>18,822,360</b>	<b>9,052,929</b>	<b>1,908,568</b>	<b>(8,280,035)</b>	<b>4,727,941</b>	<b>(522,954)</b>	<b>2,719,863</b>	<b>7,026,609</b>	<b>35,455,281</b>	<b>6,304,890</b>
<b>Operating Expenses</b>										
Personnel	3,708,345	-	-	-	-	-	-	-	3,708,345	-
Contractual Services	3,669,299	-	-	-	-	-	-	322,467	3,991,766	538,099
General Operating Expenses	2,577,456	-	-	-	-	-	-	-	2,577,456	102
Interest on Debt	-	3,959,000	306,028	-	2,671,907	662,118	2,926,966	2,884,023	13,410,042	-
Bond Trust Operating Fees	2,800	69,046	26,104	-	48,052	41,518	36,375	14,124	238,019	-
Payments per Loan Agreement	-	-	-	1,750,628	-	-	-	-	1,750,628	-
USDE Consolidation Loan Fees	118,734	2,359,863	-	-	938,650	32,203	91,170	-	3,540,620	-
Borrower Benefits	31,936	1,178,751	167,880	25,058	718,591	36,902	120,700	82,799	2,362,617	8,464
Reinsurance Expense	13,953	171,514	62,796	1,355	120,981	134,851	16,132	-	521,582	-
Loan Loss Reserve Expense	528,601	-	-	(21,081)	-	-	1,059,443	1,139,311	2,706,274	-
TLP Cancellations	-	-	-	-	-	-	-	-	-	4,052,711
<b>Total Operating Expenses</b>	<b>10,651,124</b>	<b>7,738,174</b>	<b>562,808</b>	<b>1,755,960</b>	<b>4,498,181</b>	<b>907,592</b>	<b>4,250,786</b>	<b>4,442,724</b>	<b>34,807,349</b>	<b>4,599,376</b>
<b>Non-Operating Revenue (Expense)</b>										
Non-Recurring Expenses	1,060,225	-	-	-	-	-	-	-	1,060,225	-
Investment Income, Net of Fees	(29,207,465)	20,848	7,449	-	24,804	7,581	3,060	11,224	(29,132,499)	(899,479)
<b>Total Non-Operating Revenue (Expense)</b>	<b>(30,267,690)</b>	<b>20,848</b>	<b>7,449</b>	<b>-</b>	<b>24,804</b>	<b>7,581</b>	<b>3,060</b>	<b>11,224</b>	<b>(28,072,274)</b>	<b>(899,479)</b>
<b>Changes in net assets</b>	<b>(22,096,454)</b>	<b>1,335,603</b>	<b>1,353,209</b>	<b>(10,035,995)</b>	<b>254,564</b>	<b>(1,422,965)</b>	<b>(1,527,863)</b>	<b>2,595,109</b>	<b>(29,544,792)</b>	<b>806,034</b>
<b>Adjustment to change in net assets</b>										<b>(806,034)</b>
<b>Net Assets</b>										
Beginning	361,049,566	73,455,312	67,653,381	10,035,995	(9,402,653)	14,147,225	58,037,653	29,860,171	604,836,650	-
Ending	\$ 338,953,112	\$ 74,790,915	\$ 69,006,590	\$ -	\$ (9,148,089)	\$ 12,724,260	\$ 56,509,790	\$ 32,455,280	\$ 575,291,858	\$ -

**South Carolina Student Loan Corporation**  
**Consolidated Schedule of Cash Flows (with Restrictions detail by Fund)**  
**For the year ended June 30, 2022**

	With Restrictions										Total	
	Without Restrictions	Teacher Loan Program Funds	1996 Resolution	2008 Resolution	2009 Resolution	2010 Resolution	2013 Resolution	2015 Resolution	2020 Resolution	Total Bond Funds		Total with Restrictions
<b>Cash flows from operating activities</b>												
Changes in net assets	\$ (22,096,454)	\$ -	\$ 1,335,603	\$ 1,353,209	\$ (10,035,995)	\$ 254,564	\$ (1,422,965)	\$ (1,527,863)	\$ 2,595,109	\$ (7,448,338)	\$ (7,448,338)	\$ (29,544,792)
Adjustments to reconcile changes in net assets to cash provided by (used for) operating activities:												
Depreciation	476,472	-	-	-	-	-	-	-	-	-	-	476,472
Loss on sale of building	852,691	-	-	-	-	-	-	-	-	-	-	852,691
Unrealized (gain) loss on investment	35,370,566	-	-	-	-	-	-	-	-	-	-	35,370,566
Amortization of bond discount and issuance costs	-	-	587,385	-	-	84,409	84,240	1,787,211	127,999	2,671,244	2,671,244	2,671,244
Loan loss reserve expense	528,601	-	-	-	(21,081)	-	-	1,059,443	1,139,311	2,177,673	2,177,673	2,706,274
Changes in operating assets and liabilities:												
Accounts receivable	(412,704)	193,964	(341,578)	(48,736)	250,218	(133,767)	(31,685)	(86,277)	(15,924)	(407,749)	(213,785)	(626,489)
Interest due from borrowers	(422,669)	118,616	1,321,321	621,688	280,269	1,408,944	702,489	201,078	(910,464)	3,625,325	3,743,941	3,321,272
Prepaid expenses	(416,876)	-	241	3,518	-	(1,450)	7,548	-	-	9,857	9,857	(407,019)
Defined benefit plan	(146,383)	-	-	-	-	-	-	-	-	-	-	(146,383)
Accrued investment income	-	-	(9,822)	(2,761)	-	(12,996)	(4,484)	-	-	(30,063)	(30,063)	(30,063)
Accounts payable and accrued expenses	(696,440)	837,386	138,115	6,464	-	247,055	8,263	377	25,658	425,932	1,263,318	566,878
Unearned Revenue	(54,071)	-	-	-	(132,408)	-	-	-	-	(132,408)	(132,408)	(186,479)
Due to United States Department of Education	(31,346)	-	(596,989)	(261,543)	-	(692,281)	(288,357)	(43,218)	-	(1,882,388)	(1,882,388)	(1,913,734)
Payable to the State of South Carolina	-	806,034	-	-	-	-	-	-	-	-	806,034	806,034
Net cash provided by (used for) operating activities	12,951,387	1,956,000	2,434,276	1,671,839	(9,658,997)	1,154,478	(944,951)	1,390,751	2,961,689	(990,915)	965,085	13,916,472
<b>Cash flows from investing activities</b>												
Proceeds from sale of property and equipment	2,760,000	-	-	-	-	-	-	-	-	-	-	2,760,000
Purchases from sale of property and equipment	(326,996)	-	-	-	-	-	-	-	-	-	-	(326,996)
Net changes in student loan receivable	(25,078,895)	-	61,827,544	14,670,330	22,795,218	38,234,259	12,640,439	15,900,665	(3,319,239)	162,749,216	162,749,216	137,670,321
Net changes in teacher loan receivable	-	(146,968)	-	-	-	-	-	-	-	-	(146,968)	(146,968)
Net changes in investments	9,175,933	-	-	-	-	-	-	-	-	-	-	9,175,933
Net cash provided by (used for) investing activities	(13,469,958)	(146,968)	61,827,544	14,670,330	22,795,218	38,234,259	12,640,439	15,900,665	(3,319,239)	162,749,216	162,602,248	149,132,290
<b>Cash flows from financing activities</b>												
Net changes in notes payable-finance loans	-	-	-	-	(13,168,984)	-	-	-	-	(13,168,984)	(13,168,984)	(13,168,984)
Payments on bonds payable	-	-	(58,802,284)	(15,422,928)	-	(33,260,149)	(11,568,011)	(17,465,780)	-	(136,519,152)	(136,519,152)	(136,519,152)
Net cash provided by (used for) financing activities	-	-	(58,802,284)	(15,422,928)	(13,168,984)	(33,260,149)	(11,568,011)	(17,465,780)	-	(149,688,136)	(149,688,136)	(149,688,136)
<b>Net increase (decrease) in cash and cash equivalents</b>	(518,571)	1,809,032	5,459,536	919,241	(32,763)	6,128,588	127,477	(174,364)	(357,550)	12,070,165	13,879,197	13,360,626
<b>Cash and Cash equivalents</b>												
Beginning	7,341,095	22,277,090	10,821,901	3,224,691	32,763	11,735,943	2,879,148	2,657,726	16,354,290	47,706,462	69,983,552	77,324,647
Ending	\$ 6,822,524	\$ 24,086,122	\$ 16,281,437	\$ 4,143,932	\$ -	\$ 17,864,531	\$ 3,006,625	\$ 2,483,362	\$ 15,996,740	\$ 59,776,627	\$ 83,862,749	\$ 90,685,273
<b>Supplemental disclosure of cash flow information</b>												
Cash payments for interest	\$ -	\$ -	\$ (3,371,615)	\$ (306,027)	\$ -	\$ (2,587,499)	\$ (577,878)	\$ (335,514)	\$ (2,749,748)	\$ (9,928,281)	\$ (9,928,281)	\$ (9,928,281)

# South Carolina Student Loan Corporation

## Schedule of Expenditures of Federal Awards

For the year ended June 30, 2022

<u>Federal Grantor / Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education Program		
Federal Family Education Loan Program (Lenders)		
Special allowances	84.032-L	See Note 2
Subsidized interest	84.032-L	\$ 1,902,223
Total U.S. Department of Education		<u>1,902,223</u>
Total Expenditures of Federal Awards		<u>\$ 1,902,223</u>

### Notes to the Schedule of Expenditures of Federal Awards:

#### **Note 1 - Summary of Significant Accounting Policies**

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant award activity of South Carolina Student Loan Corporation (the "Corporation") under programs of the federal government for the fiscal year ended June 30, 2022. The information in this Schedule is presented on the accrual basis of accounting and 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position or changes in net assets or cash flows of the Corporation.

#### **Note 2 - Special Allowances**

The U.S. Department of Education now requires lenders to pay them when lenders have negative special allowance. The Corporation paid \$15,254,703 during the fiscal year ended June 30, 2022.

**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 (*Government Auditing Standards*), the consolidated financial statements of South Carolina Student Loan Corporation (the “Corporation”), as of and for the year ended June 30, 2022, 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, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
September 30, 2022

**Independent Auditor's Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Major Federal Program***

We have audited South Carolina Student Loan Corporation's (the "Corporation") compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

We did not audit the Corporation's compliance with requirements governing *the servicing of Federal Family Education loans* in accordance with the requirements of Assistance Listing No. 84.032 - 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, 2021. 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.

In our opinion, except for the requirements which we did not audit as described above, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's federal program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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.

Requirements governing the servicing of Federal Family Education loans in accordance with the requirements of Assistance Listing No. 84.032 – 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, 2021. Our report does not include the results of the other accountants’ examination of Nelnet’s internal control over compliance related to such functions.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Columbia, South Carolina  
September 30, 2022

**South Carolina Student Loan Corporation**  
*Schedule of Findings and Questioned Costs*  
*For the year ended June 30, 2022*

**Section I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major federal programs:

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

Type of auditor's report issued on compliance for major federal programs: 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  
  X   No

Identification of major federal programs:

<u>ALN 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?   X   Yes    \_\_\_\_\_ No

**Section II. Financial Statement Findings**

None reported

**Section II. Federal Award Findings and Questioned Costs**

None reported