

South Carolina Student Loan Corporation

Report on Consolidated Financial Statements

For the fiscal year ended June 30, 2024

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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 statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, the Corporation adopted *Accounting Standards Update 2016-13 Financial Instruments-Credit Losses (Topic 326): Credit Losses on Financial Instruments*, during the year ended June 30, 2024. Our opinion is not modified with respect to this matter.

Restatement of Previously Issued Financial Statements

As discussed in Note 13 to the financial statements, the Corporation has restated certain assets and liabilities as reported in the consolidated statement of financial position as of June 30, 2023 to correct a misstatement in those statements. Our opinion is not modified with respect to this matter.

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.

Responsibilities of Management for the Financial Statements, Continued

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 within one year after the date that the financial statements are available to be issued.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidated schedules by fund and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2024, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

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

Columbia, South Carolina
October 2, 2024

South Carolina Student Loan Corporation

Consolidated Statements of Financial Position

As of June 30, 2024 and 2023

		As Restated
	2024	2023
ASSETS		
Current Assets		
Cash & Cash Equivalents	\$ 40,619,895	\$ 38,540,676
Investments	81,319,441	92,052,872
Student Loans Receivable	119,975,038	109,792,503
Interest Due From Borrowers	29,745,942	33,609,167
Accounts Receivable	3,770,606	3,895,707
Accrued Investment Income	95,993	86,171
Prepaid Expenses	712,786	942,408
Total Current Assets	276,239,701	278,919,504
Non-Current Assets		
Student Loans Receivable	486,250,187	641,019,236
Allowance for credit losses	(20,303,338)	(42,804,461)
Investments	193,735,672	166,770,682
Overfunded Defined Benefit Plan	2,993,660	2,131,927
Property & Equipment, Net	1,001,552	1,129,996
Right to Use Asset	1,420,059	1,596,506
Total Non-Current Assets	665,097,792	769,843,886
Total Assets	\$ 941,337,493	\$ 1,048,763,390
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Bonds Payable	\$ 106,748,744	\$ 104,370,834
Accrued Interest Payable	1,639,118	2,343,599
Accounts Payable & Accrued Expenses	2,752,783	2,654,942
Unearned Revenue	3,513	22,397
Current Lease Liability	231,682	231,682
Total Current Liabilities	111,375,840	109,623,454
Non-Current Liabilities		
Bonds Payable, net	171,885,785	301,312,441
Refundable Advance	39,835,008	39,835,008
Non-Current Lease Liability	1,326,361	1,480,479
Total Non-Current Liabilities	213,047,154	342,627,928
Total Liabilities	324,422,994	452,251,382
Net Assets		
Without donor restrictions:		
Undesignated	451,971,894	425,874,580
Invested in Trust, net of related debt	164,942,605	170,637,428
Total Net Assets without donor restrictions	616,914,499	596,512,008
Total Liabilities and Net Assets	\$ 941,337,493	\$ 1,048,763,390

South Carolina Student Loan Corporation

Consolidated Statements of Activities

For the years ended June 30, 2024 and 2023

	2024	2023
Operating Revenue		
Subsidized Interest	\$ 1,103,215	\$ 1,409,019
Special Allowance	8,785,223	6,024,524
Unsubsidized Interest	43,864,755	44,374,602
Other Student Loan Income	825,790	937,969
Fees For Services	504,312	501,087
Total Operating Revenue	55,083,295	53,247,201
Operating Expenses		
Private Loan Services expenses	19,470,282	19,852,968
Federal Loan Services expenses	25,571,238	26,764,549
Management and general expenses	2,572,805	918,045
Total Operating Expenses	47,614,325	47,535,562
Non-Operating Revenue		
Non-Recurring gains	-	3,000
Investment Income, Net of Fees	22,374,225	15,505,511
Total Non-Operating Revenue	22,374,225	15,508,511
Changes in Net Assets without donor restrictions	\$ 29,843,195	\$ 21,220,150
Beginning Net Assets without donor restrictions, As originally reported	596,512,008	575,291,858
Implementation Effect of ASC 326 (See Note 2)	(9,440,704)	-
Beginning Net Assets without donor restrictions, As Restated	587,071,304	575,291,858
Ending Net Assets without donor restrictions	\$ 616,914,499	\$ 596,512,008

South Carolina Student Loan Corporation

Consolidated Statement of Functional Expenses

For the year ended June 30, 2024

	Program Expenses		Support Services	2024
	Private Loans	Federal Loans	Management and General	Total
Operating Expenses				
Personnel				
Salaries & Wages	\$ 2,631,916	\$ 809,820	\$ 607,365	\$ 4,049,101
Benefits & Taxes	54,572	16,791	12,594	83,957
Total Personnel	<u>2,686,488</u>	<u>826,611</u>	<u>619,959</u>	<u>4,133,058</u>
Contractual Services				
Information Technology	1,034,792	318,397	238,798	1,591,987
Loan Servicing & Originations	1,219,275	982,381	-	2,201,656
Legal & Professional	461,362	141,958	106,468	709,788
Total Contractual Services	<u>2,715,429</u>	<u>1,442,736</u>	<u>345,266</u>	<u>4,503,431</u>
General Operating Expenses				
General Office Expenses	327,048	100,630	75,473	503,151
Memberships, Training, & Travel	144,237	44,381	33,286	221,904
Meetings & Conferences	166,415	51,205	38,404	256,024
Marketing & Outreach	1,297,417	-	144,157	1,441,574
Grants & Awards	-	-	1,250,000	1,250,000
Depreciation	287,127	88,347	66,260	441,734
Total General Operating Expenses	<u>2,222,244</u>	<u>284,563</u>	<u>1,607,580</u>	<u>4,114,387</u>
Student Loan & Bond Expenses				
Interest on Debt	5,864,253	18,861,144	-	24,725,397
Bond Trust Operating Fees	43,636	146,253	-	189,889
USDE Consolidation Loan Fees	-	2,055,113	-	2,055,113
Borrower Benefits	218,011	1,335,705	-	1,553,716
Reinsurance Expense	-	514,646	-	514,646
Bad Debt Expense	4,066,379	-	-	4,066,379
Provision for credit losses	1,653,842	104,467	-	1,758,309
Total Student Loan & Bond Expenses	<u>11,846,121</u>	<u>23,017,328</u>	<u>-</u>	<u>34,863,449</u>
Total Functional Expenses	<u>\$ 19,470,282</u>	<u>\$ 25,571,238</u>	<u>\$ 2,572,805</u>	<u>\$ 47,614,325</u>

South Carolina Student Loan Corporation
Consolidated Statement of Functional Expenses
For the year ended June 30, 2023

	Program Expenses		Support Services	2023
	Private Loans	Federal Loans	Management and General	Total
Operating Expenses				
Personnel				
Salaries & Wages	\$ 2,789,774	\$ 348,722	\$ 348,722	\$ 3,487,218
Benefits & Taxes	393,267	49,158	49,158	491,583
Total Personnel	<u>3,183,041</u>	<u>397,880</u>	<u>397,880</u>	<u>3,978,801</u>
Contractual Services				
Information Technology	893,566	111,696	111,696	1,116,958
Loan Servicing & Originations	1,127,266	1,258,110	-	2,385,376
Legal & Professional	360,864	45,108	45,108	451,080
Total Contractual Services	<u>2,381,696</u>	<u>1,414,914</u>	<u>156,804</u>	<u>3,953,414</u>
General Operating Expenses				
General Office Expenses	451,952	56,494	56,494	564,940
Memberships, Training, & Travel	144,661	18,083	18,083	180,827
Meetings & Conferences	200,800	25,100	25,100	251,000
Marketing & Outreach	861,310	107,664	107,664	1,076,638
Grants & Awards	720,000	90,000	90,000	900,000
Depreciation	528,163	66,020	66,020	660,203
Total General Operating Expenses	<u>2,906,886</u>	<u>363,361</u>	<u>363,361</u>	<u>3,633,608</u>
Student Loan & Bond Expenses				
Interest on Debt	6,579,556	19,624,367	-	26,203,923
Bond Trust Operating Fees	43,393	181,332	-	224,725
USDE Consolidation Loan Fees	-	2,654,611	-	2,654,611
Borrower Benefits	195,815	1,582,996	-	1,778,811
Reinsurance Expense	-	546,926	-	546,926
Bad Debt Expense	-	-	-	-
Provision for credit losses	4,562,581	(1,838)	-	4,560,743
Total Student Loan & Bond Expenses	<u>11,381,345</u>	<u>24,588,394</u>	<u>-</u>	<u>35,969,739</u>
Total Functional Expenses	<u>\$ 19,852,968</u>	<u>\$ 26,764,549</u>	<u>\$ 918,045</u>	<u>\$ 47,535,562</u>

South Carolina Student Loan Corporation
Consolidated Statements of Cash Flows
For the years ended June 30, 2024 and 2023

		As Restated
	2024	2023
Cash flows from operating activities		
Changes in net assets	\$ 29,843,195	\$ 21,220,150
Adjustments to reconcile changes in net assets to cash provided by (used for) operating activities:		
Depreciation	441,734	660,203
Unrealized (gain) on investments	(12,453,680)	(10,656,143)
Amortization of bond discounts and bond issuance costs	3,453,664	3,027,725
Provision for credit losses and bad debts	5,824,688	4,560,743
Non-cash operating lease expense	196,694	152,187
Changes in operating assets and liabilities:		
Accounts receivable	137,000	(1,394,973)
Interest due from borrowers	3,863,225	4,683,855
Prepaid expenses	229,622	(74,259)
Defined benefit plan	(861,733)	(341,748)
Accrued investment income	(21,722)	(55,592)
Accounts payable and accrued expenses	(606,639)	2,169,076
Unearned Revenue	(18,884)	(38,499)
Due to the United States Department of Education	-	(2,464,104)
Lease Liability	(174,365)	(36,533)
Net cash provided by (used for) operating activities	<u>29,852,799</u>	<u>21,412,088</u>
Cash flows from investing activities		
Proceeds from sale of property and equipment		3,000
Purchases of property and equipment	(313,290)	(890,028)
Net changes in student loan receivable	106,819,997	145,013,130
Net changes in investments	(3,777,879)	10,105,343
Net cash provided by (used for) investing activities	<u>102,728,828</u>	<u>154,231,445</u>
Cash flows from financing activities		
Payments on bonds payable	(130,502,408)	(203,702,008)
Net cash provided by (used for) financing activities	<u>(130,502,408)</u>	<u>(203,702,008)</u>
Net increase (decrease) in cash and cash equivalents	2,079,219	(28,058,475)
Cash and Cash equivalents		
Beginning	38,540,676	66,599,151
Ending	<u>\$ 40,619,895</u>	<u>\$ 38,540,676</u>
Supplemental disclosure of cash flow information		
Cash payments for interest	<u>\$ (21,271,733)</u>	<u>\$ (23,176,198)</u>

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

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 financial 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. Student loans consist of guaranteed student loans (insured by the federal government) and non-guaranteed private loans (non-federal). Funds from various sources are administered by the Corporation to achieve this goal.

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.

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. Power:Ed's mission is to support educational priorities in South Carolina with the goal of getting more South Carolinians prepared for the workforce. As a part of its mission the Corporation through Power:Ed, willingly provided approximately \$1,250,000 and \$900,000 in grant awards in the fiscal years ended June 30, 2024, and 2023, respectively, to local nonprofit organizations, colleges, and other organizations that help South Carolina students succeed in school, their careers, and life. These grants appear on the Corporation's Consolidated Statement of Activities and on the Consolidated Statement of Functional Expenses as a general operating expense.

The Corporation and its controlled affiliate EdVantage, are not an agency, instrumentality, or department of, or otherwise affiliated with the State of South Carolina ("the State"). While the Corporation provides services from time to time on behalf of the State it is paid a fee for those services in kind.

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 through the *Student Aid and Fiscal Responsibility Act ("SAFRA")* legislation. SAFRA ended any new loan originations under the FFELP program, thus reducing the Corporation's FFELP portfolio and its revenues overtime. Since July 1, 2010, all federal loan programs have been originated under the Federal Direct Loan Program. 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 Financial Statements

For the years ended June 30, 2024 and 2023

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. There were no such agreements at June 30, 2024 and 2023.

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 has 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 and certain servicing functions of the Teacher Loan Program is outsourced to Firstmark Services, a division of Nelnet. 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.

DESCRIPTION OF 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") 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.

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. During the fiscal year ended June 30, 2024, these loans were bearing interest at fixed rates from 2.875% to 9% or an annual variable rate of 6.00% to 8.56%.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 1. DESCRIPTION OF THE ORGANIZATION, CONT.

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 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.

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, 2024, the Corporation received \$8,785,223 of net special allowance support payments from the USDE. The Corporation's FFELP subsidized interest earnings and special allowances can be found in the revenue section of the Corporation's Consolidated 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 Consolidated Statement of Activities.

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.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

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. This PAL Program was discontinued 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.

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, 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 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.

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%.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 1. DESCRIPTION OF THE ORGANIZATION, CONT.

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.

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. Student loans under the Corporation's PAL program bear annual fixed rates ranging from 3.99% to 10.875% or a variable rate margin ranging from .375% to 8.175%. Loans under the Corporation's PAL Refi program bear annual fixed rates ranging from 2.75% to 9.75%.

BOLD CAREER PATHWAY LOAN PROGRAM (FORGIVABLE PRIVATE LOAN)

During the fiscal year ended June 30, 2023, the Corporation began making and servicing forgivable private loans through the BOLD Career Pathways Loan Program ("BOLD"). BOLD offers supplemental loans to students attending select programs of study who are within two academic years of completion. To receive BOLD funds, the student must also enter into an agreement with a potential employer, whereby the employer agrees to pay amounts borrowed under BOLD, in return for the student's service to the employer upon graduation. Annual loan amounts, cumulative loan amounts, and interest rates vary by employer and program. Since inception, the program has offered fixed interest rates. The terms of forgiveness also vary based on employer and program, but typically forgive a portion of BOLD amounts outstanding per year of employment. If the student does not gain employment with the agreed upon employer, or leaves employment prior to the full amount being forgiven, the debt must be repaid on a 120-month, level repayment plan. BOLD is a non-credit based program. The Corporation runs and stores credit for operational and analytical purposes but does not use the applicant's credit to determine eligibility.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting and reporting policies of the Corporation are presented to assist in understanding the consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"):

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.

ADVERTISING AND MARKETING EXPENSES:

The Corporation expenses all advertising and marketing related expenses when incurred. The total marketing and advertising expense of the Corporation for the fiscal years ended June 30, 2024 and 2023 were \$1,441,574 and \$1,076,638, respectively.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

AVAILABILITY OF FUNDS FOR GENERAL EXPENSES:

The Corporation has certain net assets that are available for general expenses within one year of June 30, 2024, 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).

CASH AND CASH EQUIVALENTS:

For purposes of reporting cash flows, the Corporation considers all highly liquid investments with a maturity of three months or less, including those that are classified as assets with restrictions, to be cash equivalents, except those amounts that are held in investment portfolios which are considered part of investments. Cash and cash equivalents designated as with restrictions are restricted by bond indentures to be used to make payments of bond principal, interest, and certain related costs of the indenture (See Note 8).

CONCENTRATION RISK:

The Corporation maintains its cash in bank deposit accounts, which, at times, may exceed the federally insured limit. At June 30, 2024, 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's cash and cash equivalent accounts have been placed with high credit quality financial institutions and the Corporation monitors each of these institutions for financial deterioration characteristics on a continuous basis. The Corporation has not experienced, nor does it anticipate, any losses with respect to such accounts as of June 30, 2024, and believes each institution is well-capitalized with no going concern issues.

INVESTMENTS:

Investments are initially recorded at cost. Thereafter, investments are recorded at fair value at their fair values in the statements of financial position, and changes in fair value are reported as investment income/(loss), net of fees in the Consolidated Statement of Activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the Consolidated Statement of Activities in the period in which the securities are sold. Interest is recorded when earned.

CONSOLIDATED POLICY:

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

Historically, the consolidated financial statements also included the Teacher Loan Fund due to the structure of the Corporation's administrative role as defined in the South Carolina Code of Laws. As discussed in the Note 13, the Corporation no longer includes the Teacher Loan Fund in its consolidated financial statements.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

DEBT ISSUANCE COSTS/ORIGINAL ISSUE DISCOUNTS:

The original issue discounts and debt issuance costs are presented as a reduction of the face amount of the bonds payable or notes payable (when applicable). Original issue discounts and debt issuance costs are amortized using a straight-line basis over the estimated term of the related financing arrangements as a component of interest expense. The estimated term of each financing arrangement is updated annually by the Corporation as part of its annual budgetary process.

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 according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Corporation does not have donors and thus all net assets would fall under the class of net assets without donor restrictions, however, the Corporation has debt covenants that restrict the use of certain assets within a bond trust to be used to pay future principal, interest, fees and costs associated with that debt issuance. In complying with ASC 958 and providing greater transparency in the Corporation's restrictions on its net assets the classification of net assets without donor restrictions is presented with further sub-classes of net assets as follows:

Net assets without donor restrictions-

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

Invested in Trust, net of related debt - Net assets without donor restrictions, net of related debt consists of accumulated assets and liabilities for the general resolutions of outstanding bonds.

DISPLAY OF OPERATIONS:

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Corporation's ongoing program and supporting services. Nonoperating activities are limited to resources that generate a return on investment and other activities that are unusual or nonrecurring in nature.

EXPENSE ALLOCATION:

The costs of providing programs and activities has been summarized on a functional basis in the Consolidated Statements of Activities and the Consolidated Statements 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.

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

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

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. These expenses are allocated and the method of allocation included is presented in the table below:

Expense	Method
Salaries & Wages	Set percentage based on time & effort
Benefits & Taxes	Set percentage based on time & effort
Information Technology	Set percentage based on time & effort
Loan Servicing & Originations	Direct based on nature of services
Legal & Professional	Set percentage based on time & effort
General Office Expenses	Set percentage based on time & effort
Memberships, Training, & Travel	Set percentage based on time & effort
Meetings & Conferences	Set percentage based on time & effort
Marketing & Outreach	Direct based on nature of services
Grants & Awards	Direct based on nature of services
Depreciation	Set percentage based on time & effort
Interest on Debt	Direct based on nature of services
Bond Trust Operating Fees	Direct based on nature of services
USDE Consolidation Loan Fees	Direct based on nature of services
Borrower Benefits	Direct based on nature of services
Reinsurance Expense	Direct based on nature of services
Bad Debt Expense	Direct based on nature of services
Provision for Credit Losses	Direct based on nature of services

INCOME TAXES:

The Corporation and its controlled affiliate EdVantage are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

Tax-exempt organizations may be subject to record an obligation for income taxes as the result of tax position they have historically taken on various tax exposure items including tax status or unrelated business income. Under guidance issued by the Financial Accounting Standards Board ("FASB"), assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based on the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense. Management has evaluated the Corporation's and EdVantage's tax positions and concluded that these entities have taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

LEASES:

The Corporation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and if the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Corporation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Corporation also considers whether its service arrangements include the right to control the use of an asset.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The initial measurement of the right-of-use asset is comprised of the initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are held at the lower of the lease term or on the same basis as those of the related property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The Corporation has elected the practical expedient to utilize the risk-free discount rate for a period like that of the lease term.

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are stated at cost less accumulated depreciation. Cost incurred by the Corporation for software development used to provide services to customers or internal administration services are stated at cost less accumulated amortization. The allowance for depreciation and amortization is amortized or depreciated as an expense over the estimated life of the asset using a straight-line method.

MANAGEMENT'S USE OF ESTIMATES:

The preparation of financial statements in conformity with U.S. GAAP 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. The most significant estimated used in the preparation of the financial statements is the allowance for credit losses on student loans.

RECLASSIFICATION

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presented.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

REVENUE ON SERVICES PROVIDED (NOT STUDENT LOANS):

The Corporation provides contract services to the State for some of its forgivable loan programs including but not limited to the State's Teacher loan program and to the Authority. The Corporation charges a fee for those services. Revenues on the contract fees are recognized when the performance obligations are satisfied, or attributable to the period in which specific terms of the funding agreement are satisfied, and to the extent that expenses have been incurred for the purposes specified by the funding source.

STUDENT LOANS:

Student loans consist of guaranteed FFELP loans and non-guaranteed private loans (non-federal education loans) owed by the Corporation. Student loans are stated at their unpaid principal balance plus any applicable unamortized amount of loan origination costs paid out to disburse the loan. Loan origination costs are deferred and recognized as a reduction to interest income on student loans over the estimated life of student loans. Interest accrues on the unpaid principal balance of the loan. Both private and FFELP loans have both fixed and variable interest rates. Interest on FFELP loans can be subsidized or unsubsidized (See Note 1). Interest rates for these loan programs can be found in Note 1 herein.

Interest on student loans is recognized as revenue in the period earned on guaranteed student loans and on non-guaranteed private loans until the loan is deemed uncollectible and defaults (generally at 210 days). Special Allowance (see Note 1) is recognized as revenue in the period earned on guaranteed loans.

Late fees are assessed and charged to the borrower when a loan becomes delinquent/past due but not recorded in income until collected. Delinquent or past due status is based on the contractual term of the loan. Management considers a loan to be delinquent or past due when a scheduled payment has not been received upon the contractual due date, generally after 15 days. When a private student loan becomes delinquent for more than 210 days the loan principal, interest and late fee balance is placed with a collection agency.

During the fiscal year ended June 30, 2024, the Corporation updated its charge-off/written-off policy related to student loans. As part of this policy, when a borrower's loan becomes delinquent for more than 210 days, interest accrual is discontinued, and the principal and interest balance outstanding is charged off. All accrued interest is reversed and recorded as a bad debt expense when charged off/written off. All payments collected by the collection agency are netted against the bad debt expense when received. In prior reported years, all past due balances of principal and interest were included as part of the allowance for credit losses for student loans.

ALLOWANCE FOR CREDIT LOSSES:

The allowance for credit losses is a valuation representing the Corporation's estimate for expected future losses over the estimated lifetime of its student loan receivable on the financial position date. The amount of the allowance, which is based on management's estimate of the probable losses within the portfolio is expensed through a provision for credit losses on student loans. Management utilizes relevant available information from both internal and external sources relating to historical events, current conditions, and reasonable and supportable forecasts in estimating its allowance for credit loss value.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

The Corporation measures expected credit losses on a pooled basis when similar risk characteristics exist. The Corporation's credit losses are pooled based on portfolio type and then further segmented in days past due bands. These portfolios are classified under 2 major risk-based category types of loans: FFELP and Private.

FFELP loans present less risk to the Corporation as these loans are guaranteed by the guarantee agency and insured by the federal government (See Note 1 and Note 8). 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. Some FFELP loans may lose their guarantee and become uncollectible under certain circumstances. At June 30, 2024, the Corporation's total insured FFELP loans are \$366,478,654 and its total uninsured FFELP loans are \$748,007. Private loans have no guarantees and are not federally insured and therefore have more associated risk for credit losses.

The Days past due segments include: Less than 15; 15-29; 30-59; 60-89; 90-119; 120-149; 150-179; and 180 plus. All loan segments use a probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") Cash Flow Methodology, leveraging the Corporation's historical data for PDs and Prepayment speeds with Internal Assumptions on LGDs. The Corporation has a historical recovery rate of approximately 10% of any loan sent to collections. Given this historical recovery a 90% LGD is used for loans less than 180 days past due with 100% for those 180 days past due or greater.

Actual results of defaults could differ from management's estimates in the allowance. Private Loans are written-off when management deems them uncollectible which is generally when the loans are 210 days past due and are sent to a collection agency. When loans are charged off the balances are reversed out of the allowance for credit losses and recorded as a bad debt expense.

FFELP loans are considered defaulted when a borrower has not made a scheduled payment in more than 270 days. FFELP defaulted loans are sent to a FFELP program guarantee agency which insures the federal loan by repaying the loan holder the insured defaulted amount. All principal and interest outstanding not repaid by the guarantee agency at the time of default are recorded as a reinsurance expense on the Corporation's Consolidated Statement of Activities. During the fiscal year ended June 30, 2024, the Corporation incurred reinsurance expenses of \$514,646.

The Corporation elected not to provide for an allowance for credit losses for accrued interest receivable from borrowers and instead elected to reverse interest income on loans that are placed with the collection agency and are in a nonaccrual status, which is generally when the loan is 210 days past due. The Corporation has concluded that this policy results in the timely reversal of uncollectible interest.

Additionally, the allowance for credit loss calculation may include subjective adjustments for qualitative risk factors that are likely to cause estimated loan losses to differ from historical experiences. These qualitative factors may increase or decrease the allowance for loan loss and are adjusted for economic conditions not already captured. Loans that do not share risk characteristics are evaluated on an individual basis.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

ACCOUNTING STANDARDS ADOPTED IN 2024:

On July 1, 2023, the Corporation adopted *ASU 2016-13 Financial Instruments-Credit Losses (Topic 326): Credit Losses on Financial Instruments (ASC 326)* for its Student Loan programs. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires expected losses to be measured over the contractual life of the asset and uses the past (historical data), present (current conditions), and future (reasonable and supportable forecasts) to estimate losses. Financial assets measured at amortized costs will be presented at the net amount expected to be collected by using a provision for credit losses.

The Corporation adopted ASC 326 effective July 1, 2023, using a modified retrospective transition approach for its student loan receivables. As part of this adoption the Corporation updated its write-off policy for loans past due. Previously loans greater than 180 days were allowed for and netted against the loan receivable as part of the allowance for loan loss. As of July 1, 2023, loans delinquent greater than 210 days are excluded from the allowance for loan loss calculation and all principal and interest balances related to these loans are written off.

The transition adjustment of the adoption of CECL included an increase in the allowance for credit losses on FFELP loan receivable of \$742 thousand, an increase in interest due from borrowers of \$235 thousand on FFELP loans, an increase in interest due from borrowers of \$454 thousand on private loans, a decrease in the private loan receivable of \$33.9 million, and an increase in allowance for loan loss on the private loan receivable loans of \$24.5 million, which is presented as a reduction to net student loan receivable outstanding. The Corporation recorded a net decrease to beginning net assets of \$9.4 million as of July 1, 2023, for the cumulative effect of adopting CECL. Prior period amounts continue to be reported in accordance with previously accepted accounting standards.

The following table illustrates the impact on the allowance for credit losses from the adoption of ASC 326:

Student Loan Receivable	Private Loans	FFELP Loans	Total
Balance, July 1, 2023 Pre-ASC 326 Adoption	\$ 221,400,434	\$ 486,606,844	\$ 708,007,278
Adjustment for adoption of ASU 2016-13	(9,388,006)	(742,171)	(10,130,177)
Balance, July 1, 2023 As Report Under ASC 326	\$ 212,012,428	\$ 485,864,673	\$ 697,877,101
Interest Due from Borrowers	Private Loans	FFELP Loans	Total
Balance, July 1, 2023 Pre-ASC 326 Adoption	\$ 6,361,870	\$ 27,247,297	\$ 33,609,167
Adjustment for adoption of ASU 2016-13	454,171	235,302	689,473
Balance, July, 2023 As Report Under ASC 326	\$ 6,816,041	\$ 27,482,599	\$ 34,298,640
Total Impact of adoption of ASU 2016-13	\$ (8,933,835)	\$ (506,869)	\$ (9,440,704)

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 3. CASH AND CASH EQUIVALENTS

As of June 30, 2024 and 2023, cash and cash equivalents include demand deposits and short-term investments with an original maturity of three months or less as follows:

Cash and Cash Equivalents	2024	2023
Undesignated		
Demand Deposits	\$ 4,563,653	\$ 6,522,096
Invested in Trust		
Money Market-Bond Funds	36,056,242	32,018,580
Total Cash and Cash Equivalents	\$ 40,619,895	\$ 38,540,676

Cash in Money Market-Bond Funds is used to pay bond principal, interest, and other certain fees & costs related to the corresponding debt issuance. As further explained in Note 13, the total cash and cash equivalents has been restated for 2023 to reflect the removal of the State's Teacher loan program cash assets in the amount of \$27,273,486 and its corresponding liability of the same.

NOTE 4. INVESTMENTS

The market value of investments is determined by quoted market values and consists of the following as of June 30, 2024 and 2023:

Investments-as reported at Market Value	2024	2023
Cash and cash equivalents	\$ 16,512,058	\$ 9,596,920
US Treasury & Agency Securities	49,962,409	44,939,263
Debt Securities: Corporate, Municipal & Foreign	78,243,510	88,518,142
Equities & Mutual Funds	128,816,845	114,429,562
Real Estate Investment Trusts	1,520,291	1,339,667
Total Investments	\$ 275,055,113	\$ 258,823,554

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.

As stated in Note 2, the Corporation identifies all cash and cash equivalents held within an investment portfolio as an investment.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 4. INVESTMENTS, CONT.

The Corporation's investment activity consists of the following as of the fiscal year ended June 30, 2024 and 2023:

Investment Activity	2024	2023
Interest and Dividend Income	\$ 8,727,761	\$ 6,256,624
Realized gain/(loss) on Investments	1,942,427	(817,064)
Unrealized gain/(loss) on Investments	12,453,680	10,656,143
Investment expenses	(749,643)	(590,192)
Net Investment Income/(Loss)	\$ 22,374,225	\$ 15,505,511

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 that are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. 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 on June 30, 2024, 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' (Bonds Payable) 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.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 5. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS, CONT.

The following table sets forth by level, within the fair value hierarchy, the Corporation's financial instruments as of June 30, 2024:

Financial Assets	June 30, 2024	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 40,619,895	\$ 40,619,895	\$ -	\$ -
Investments:				
Cash and cash equivalents	16,512,058	16,512,058	-	-
US Treasury & Agency Securities	49,962,409	49,962,409	-	-
Debt Securities: Corporate, Municipal & Foreign	78,243,510	-	78,243,510	-
Equities & Mutual Funds	128,816,845	128,816,845	-	-
Real Estate Investment Trusts	1,520,291	-	1,520,291	-
Student loan receivables	585,921,887	-	585,921,887	-
Total Financial Assets	\$ 901,596,895	\$ 235,911,207	\$ 665,685,688	\$ -
Financial Liabilities	June 30, 2024	Level 1	Level 2	Level 3
Bonds Payable	278,634,529	-	278,634,529	-
Total Financial Liabilities	\$ 278,634,529	\$ -	\$ 278,634,529	\$ -

NOTE 6. AVAILABILITY AND LIQUIDITY

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.

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, 2024, were comprised of the following:

	2024
Total assets at year end	\$ 941,337,493
Less amounts not available to be used within one year due to illiquidity:	
Prepaid expenses and other	712,786
Overfunded defined benefit plan	2,993,660
Long-term Student Loan receivable, net of allowances	465,946,849
Property and equipment, net	1,001,552
Right of Use Asset	1,420,059
Total amounts not available to be used within one year due to illiquidity	<u>\$ 472,074,906</u>
Less amounts not available to be used within one year due to contractual restrictions:	
Less Net Assets without Restrictions Invested in Trust, net of debt	164,942,605
Total amounts not available to be used within one year due to restrictions	<u>\$ 164,942,605</u>
Total assets available to meet cash needs for expenditures within one year	<u>\$ 304,319,982</u>

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 7. STUDENT LOANS RECEIVABLE

The student loan receivable balance as reported on the Corporation's Consolidated Statement of Financial Position represents the unpaid portion principal balance of both private (non-federal education loans) and FFELP loans owned by the Corporation net any allowances for future credit losses and deferred fees and costs. Interest income is accrued on the unpaid principal balance of the loan. Any loan origination fees net of direct origination costs are deferred and recognized in interest income using methods of approximation without anticipating prepayments. 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.

Management has determined that its portfolio segments are FFELP student loans and Private student loans. As of June 30, 2024, the Corporation does not disaggregate its portfolio into classes of receivables and all loan segments are evaluated collectively.

Student loans held for investment as of June 30, 2024, are summarized as follows:

Student Loans	Private	FFELP	Allowance	Total
Undesignated	\$ 92,045,530	\$ 56,868,132	\$ (7,135,368)	\$ 141,778,294
Invested in Trust				
1996 General Resolution	-	147,291,236	(246,661)	147,044,575
2010-1 General Resolution	-	111,679,461	(191,593)	111,487,868
2013-1 General Resolution	-	43,322,781	(154,821)	43,167,960
2015-A General Resolution	65,015,858	8,065,051	(6,938,041)	66,142,868
2020-A General Resolution	81,937,176	-	(5,636,854)	76,300,322
Subtotal	\$ 238,998,564	\$ 367,226,661	\$ (20,303,338)	\$ 585,921,887

The following table summarizes the activity related to the allowance for credit loss for the fiscal year ended June 30, 2024:

Allowance for Credit Losses	Private Loans	FFELP Loans	Total
Balance, July 1, 2023	\$ (42,178,389)	\$ (626,072)	\$ (42,804,461)
Adjustment for adoption of ASU 2016-13	24,549,696	(742,171)	23,807,525
Charge-offs	4,258,614	-	4,258,614
Recoveries	(192,231)	-	(192,231)
Provision for credit losses	(5,268,317)	(104,468)	(5,372,785)
Balance, June 30, 2024	\$ (18,830,627)	\$ (1,472,711)	\$ (20,303,338)

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements For the years ended June 30, 2024 and 2023

NOTE 7. STUDENT LOAN RECEIVABLE, CONT.

The following table represents an analysis of past-due student loans as of June 30, 2024:

Days Past Due	Private Loans	FFELP Loans	Total
Current Loans	\$ 224,556,993	307,052,836	\$ 531,609,829
30-59 days past due	4,530,671	13,600,910	18,131,581
60-89 days past due	2,737,588	10,775,332	13,512,920
90 days or greater past due	7,173,312	35,797,583	42,970,895
Allowance for credit losses	(18,830,627)	(1,472,711)	(20,303,338)
Total	\$ 220,167,937	\$ 365,753,950	\$ 585,921,887

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, 2024, the Corporation held funds on deposit as cash with restrictions in the debt service funds of \$10,345,821.

1996 GENERAL RESOLUTION:

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).

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 8. BONDS PAYABLE, CONT.

The Corporation's LIBOR Indexed Bonds in the 1996 General Resolution totaled \$88,459,360 as of June 30, 2024, and had variable interest rates equal to one-month LIBOR plus 0.75% to 1.5%, as adjusted monthly. Throughout the fiscal year ended June 30, 2024, none of the rates exceeded 6.96%. Effective July 1, 2023, the One-Month LIBOR benchmark used to calculate interest on the 2014 Series Bonds was replaced with 30-day Average SOFR plus a tenor spread adjustment of 0.11448%. The tenor spread adjustment is in addition to the existing spread on the Bonds, which will also continue to apply.

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 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 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 Notes secured by the 2010-1 General Resolution had a balance of \$77,561,022 as of June 30, 2024.

Effective July 1, 2023, the Three-Month LIBOR benchmark used to calculate interest on the 2010-1 Series Notes was replaced with 90-day Average SOFR plus a tenor spread adjustment of 0.26161%. The tenor spread adjustment is in addition to the existing spread on the Notes, which will also continue to apply.

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.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 8. BONDS PAYABLE, CONT.

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 \$41,329,570 as of June 30, 2024.

Effective July 1, 2023, the One-Month LIBOR benchmark used to calculate interest on the 2013-1 Series Notes was replaced with 30-day Average SOFR plus a tenor spread adjustment of 0.11448%. The tenor spread adjustment is in addition to the existing spread on the Notes, which will also continue to apply.

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 \$22,211,245 as of June 30, 2024.

Effective July 1, 2023, the One-Month LIBOR benchmark used to calculate interest on the 2015-A Series Notes was replaced with one-month CME Term SOFR plus a tenor spread adjustment of 0.11448%. The tenor spread adjustment is in addition to the existing spread on the Notes, which will also continue to apply.

2020A GENERAL RESOLUTION:

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 \$57,645,001 as of June 30, 2024.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements For the years ended June 30, 2024 and 2023

NOTE 8. BONDS PAYABLE, CONT.

The total bonds outstanding as of June 30, 2024 are as follows:

Issued	Issued	Original Amount	Maturity Date	Balance Outstanding at 6/30/24
2010-1 General Resolution	November 30, 2010	\$ 920,000,000	1/25/2021-10/27/2036	\$ 77,561,022
2013-1 General Resolution	February 20, 2013	323,620,000	1/25/2041	41,329,570
1996 General Resolution	August 20, 2014	501,500,000	4/1/2030 - 8/1/2035	88,459,360
2015-A General Resolution	November 25, 2015	198,400,000	1/25/2036	22,211,245
2020-A General Resolution	August 20, 2020	92,710,000	12/1/2022-12/1/2039	57,645,001
Subtotal				\$ 287,206,198
Less: unamortized cost of issuance				(8,571,669)
Total bonds outstanding				\$ 278,634,529

PROJECTED DEBT SERVICE:

As of June 30, 2024, the required scheduled debt service to retire the bonds and notes of the Corporation is as follows:

FYE	Principal	Interest	Totals
2025	\$ 6,600,000	\$ 15,683,771	\$ 22,283,771
2026	6,850,000	14,795,706	21,645,706
2027	7,990,000	14,605,669	22,595,669
2028	7,700,000	14,393,477	22,093,477
2029	6,255,000	14,195,377	20,450,377
2030	6,955,000	13,999,879	20,954,879
2031-39	190,831,627	87,041,166	277,872,793
2040-2041	54,024,571	3,728,846	57,753,417
Subtotal	\$ 287,206,198	\$ 178,443,891	\$ 465,650,089
Unamortized cost of issuance	(8,571,669)	-	(8,571,669)
Total	\$ 278,634,529	\$ 178,443,891	\$ 457,078,420

The Corporation used projected SOFR index interest rate estimates averaging 4.93% to 5.52% to estimate bond interest amounts for the table above for all bond trusts except the 2020A Series for which the actual fixed rates were used.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 8. BONDS PAYABLE, CONT.

As outlined in the 1996 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, 2024, the Corporation estimated they would make optional redemption or principal distribution payments for the next fiscal year of approximately \$100,148,744 in addition to the \$6,600,000 required principal distribution payments for a total of \$106,748,744.

NOTE 9. 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, 2024 was \$208,145 and is fully funded. During the fiscal year ended June 30, 2024, the Board of Directors voted to terminate the DBP along with the MPPP in order to consolidate the Corporation's retirement plans into one enhanced 403(b) Defined Contribution Plan (See Note 12).

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 9. 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 Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 9. EMPLOYEE BENEFIT PLANS, CONT.

During the fiscal year ended June 30, 2024, the Board of Directors voted to terminate the DBP along with the MPPP in order to consolidate the Corporation's retirement plans into one enhanced 403(b) Defined Contribution Plan (See Note 12).

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, 2024:

Change in projected benefit obligation:	
Projected benefit obligation at June 30, 2023	\$ 5,587,420
Service cost	87,222
Interest cost	284,657
Actuarial (gain) loss	(299,941)
Benefits paid	(119,639)
Curtailments	(379,020)
Projected benefit obligation at June 30, 2024	<u>\$ 5,160,699</u>
Change in fair value of plan assets:	
Fair value of Plan assets at June 30, 2023	\$ 7,719,347
Actual return on assets	554,651
Benefits paid	(119,639)
Fair value of Plan assets at June 30, 2024	<u>\$ 8,154,359</u>
Funded status	<u>\$ 2,993,660</u>
Amounts recognized in the Consolidated Statement of Financial Position:	
Non-current assets	<u>\$ 2,993,660</u>
Amounts recognized in the Consolidated Statement of Activities	
Net gain	<u>\$ 861,733</u>

The following are weighted average assumptions used to determine benefits, obligations and net periodic benefit cost as of June 30, 2024. The measurement date of the projected benefits obligation and plan assets was June 30, 2024.

	2024
Assumptions used	
Weighted-average assumptions used to determine benefit obligations	
Discount Rate	4.97%
Rate of compensation increase	N/A*
Weighted-average assumptions used to determine net periodic benefit costs	
Discount Rate	4.97%
Expected return on plan assets	N/A*
Rate of compensation increase	N/A*

* The DB plan was terminated as of June 30, 2024.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 9. 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-related benefit changes other than net periodic benefit costs for the year ended June 30, 2024 are as follows:

Net periodic benefit cost	
Service cost	\$ 87,222
Interest cost	284,657
Expected return on plan assets	(532,739)
Net Periodic Pension Cost:	(160,860)
Curtailment Charge	(224,176)
Total benefit cost	(385,036)
 Net periodic benefit cost	 \$ (385,036)
 Employee benefit - related changes other than net periodic benefit cost	
Net (gain) loss	\$ (321,853)
Effects of Curtailment	(154,844)
Employee benefit - related changes other than net periodic benefit cost	\$ (476,697)
 Total net periodic benefit cost and employee benefit - related changes other than net periodic benefit cost	 \$ (861,733)

The accumulated benefit obligation for the DBP was \$5,160,699 at June 30, 2024.

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, 2024, is as follows:

Money market	1.63%
Debt securities	85.92%
Equity securities	0.00%
Insurance policies	12.45%
	<u>100.00%</u>

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 9. 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, 2025, due to the termination of the plan as of June 30, 2024.

As a part of the plan termination effective June 30, 2024, all future payments totaling to \$5,160,699 are expected to occur during the fiscal year ending June 30, 2025.

NOTE 10. RENTAL PROPERTY, OPERATING LEASES AND COMMITMENTS

The Corporation leases office space under an operating lease agreement with an 8.5-year (103 months) term effective October 2022. Any options to extend or terminate the lease are included in the lease term when it is reasonably certain that the Corporation will exercise that option. The lease's beginning base monthly payment was \$19,267 with a 2.5% annual base rent escalator. The terms of the lease included a 6-month abatement period during the first year of the lease. The terms of the lease agreement include variable expenses related to parking. The Corporation variable expenses for the year ended June 30, 2024, were \$35,441. Lease payments under the agreement totaled \$232,163 for the year ended June 30, 2024. The Corporation incurred \$58,776 in lease related interest expense for the year ended June 30, 2024.

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized in the consolidated statement of financial position are as follows for the years ending June 30:

Year Ending June 30,	Amount
2025	\$ 237,462
2026	243,242
2027	249,022
2028	254,802
2029	260,582
Thereafter	515,384
Subtotal	\$ 1,760,494
Less imputed interest	(202,451)
Total	\$ 1,558,043

At June 30, 2024, the right-of-use asset was \$1,420,059 with accumulated amortization of \$235,224. Lease related amortization expense was \$176,448 for the year ended June 30, 2024.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 11. PROPERTY AND EQUIPMENT

The property and equipment, net, is comprised of the following at June 30:

Property and Equipment	Balance as of June 30, 2024	Balance as of June 30, 2023
Vehicles	\$ 80,030	\$ 80,030
Furniture and equipment	2,612,790	2,324,250
Software	2,684,550	2,659,800
	5,377,370	5,064,080
Less accumulated depreciation	(4,375,818)	(3,934,084)
Property and equipment, net	\$ 1,001,552	\$ 1,129,996

Depreciation expenses for the years ended June 30, 2024 and 2023 were \$441,734 and \$660,203, respectively.

NOTE 12. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition and disclosure through September 30, 2024, the date these financial statements were available to be issued.

On June 30, 2024, the Corporation's DBP and the MPPP were terminated, and all participants were fully vested at the date of termination. Effective July 1, 2024, the Corporation consolidated its DBP and MPPP retirement plans into an enhanced 403(b) Defined Contribution Plan.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

For the years ended June 30, 2024 and 2023

NOTE 13. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The Corporation historically included the State's Teacher Loan Fund on its Consolidated Statement of Financial Position as a separate column with all assets and liabilities netting to a liability due to the State of South Carolina for its activity. While the information was displayed in departure of US GAAP it was intended to inform the reader of the positions held for the program and resulted in zero economic impact to the Corporation's net assets. During the fiscal year ended June 30, 2024, the Corporation decided to remove the program from its Consolidated Statement of Financial Position to better comply with US GAAP reporting. The effect of these changes on the Corporation's previously issued financial statements as of and for the fiscal year ended June 30, 2023, is summarized as follows:

	As Previously Reported	2023 Adjustment	As Restated
Consolidated Statement of Financial Position:			
Assets			
Cash and Cash equivalents	\$ 65,814,162	\$ (27,273,486)	\$ 38,540,676
Teacher Loans Receivable	6,285,870	(6,285,870)	-
Interest Due from Borrowers	37,171,979	(3,562,812)	33,609,167
Accounts Receivable	3,929,446	(33,739)	3,895,707
Teacher Loans Receivable, Net of Allowances	25,080,149	(25,080,149)	-
Total Assets	1,110,999,446	(62,236,056)	1,048,763,390
Liabilities and Net Assets			
Accounts Payable and Accrued Expenses	5,428,755	(2,773,813)	2,654,942
Payable to the State of SC-TLP	59,462,243	(59,462,243)	-
Total Liabilities	514,487,438	(62,236,056)	452,251,382
Net Assets	596,512,008	-	596,512,008
Consolidated Statement of Cash Flows			
Cash flows from Operating assets:			
Accounts receivable	(1,398,095)	3,122	(1,394,973)
Interest due from borrowers	4,733,099	(49,244)	4,683,855
Accounts payable and accrued expenses	2,719,803	(550,727)	2,169,076
Payable to the State of South Carolina	1,816,541	(1,816,541)	-
Cash Flows from Investing activities			
Net changes in teacher loan receivable	773,974	(773,974)	-
Net increase (decrease) in cash and cash equivalents	(24,871,111)	(3,187,364)	(28,058,475)
Cash and Cash equivalents			
Beginning	90,685,273	(24,086,122)	66,599,151
Ending	65,814,162	(27,273,486)	38,540,676

South Carolina Student Loan Corporation

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

As of June 30, 2024

		Invested in Trust						
	Undesignated	1996 Resolution	2010 - 1 Resolution	2013 - 1 Resolution	2015 Resolution	2020 Resolution	Total	
Assets								
Current Assets								
Cash & Cash Equivalents	\$ 4,563,653	\$ 11,636,269	\$ 14,077,285	\$ 1,884,869	\$ 1,741,126	\$ 6,716,693	\$ 40,619,895	
Current Investments	81,319,441	-	-	-	-	-	81,319,441	
Student Loan Receivable	22,687,893	38,086,122	25,773,701	11,085,045	10,240,070	12,102,207	119,975,038	
Interest Due From Borrowers	6,869,221	7,027,298	7,306,644	3,072,916	2,165,639	3,304,224	29,745,942	
Accounts Receivable	791,716	1,658,749	707,351	279,051	117,085	216,654	3,770,606	
Accrued Investment Income	-	41,854	54,139	-	-	-	95,993	
Prepaid Expenses	682,369	3,750	8,333	11,667	6,667	-	712,786	
Total Assets - Short Term	116,914,293	58,454,042	47,927,453	16,333,548	14,270,587	22,339,778	276,239,701	
Non-Current Assets								
Student Loan Receivable	126,225,769	109,205,114	85,905,760	32,237,736	62,840,839	69,834,969	486,250,187	
Allowance for credit losses	(7,135,368)	(246,661)	(191,593)	(154,821)	(6,938,041)	(5,636,854)	(20,303,338)	
Investments, Long Term Focus	193,735,672	-	-	-	-	-	193,735,672	
Overfunded Defined Benefit Plan	2,993,660	-	-	-	-	-	2,993,660	
Residual Trust Agreement	20,942,464	-	(20,942,464)	-	-	-	-	
Property, Plant & Equipment, net	1,001,552	-	-	-	-	-	1,001,552	
Right to Use Asset	1,420,059	-	-	-	-	-	1,420,059	
Total Non-current Assets	339,183,808	108,958,453	64,771,703	32,082,915	55,902,798	64,198,115	665,097,792	
Total Assets	\$ 456,098,101	\$ 167,412,495	\$ 112,699,156	\$ 48,416,463	\$ 70,173,385	\$ 86,537,893	\$ 941,337,493	
Liabilities and Net Assets								
Liabilities								
Current Liabilities								
Current Maturities of Bonds Payable	\$ -	\$ 44,562,348	\$ 31,721,654	\$ 10,436,879	\$ 13,427,863	\$ 6,600,000	\$ 106,748,744	
Interest Payable	-	471,413	961,294	40,984	25,763	139,664	1,639,118	
Accounts Payable & Accrued payables	2,564,651	93,921	39,646	1,468	3,621	49,476	2,752,783	
Unearned Revenue	3,513	-	-	-	-	-	3,513	
Current Lease Liability	231,682	-	-	-	-	-	231,682	
Total Liabilities - Short Term	2,799,846	45,127,682	32,722,594	10,479,331	13,457,247	6,789,140	111,375,840	
Non-Current Liabilities								
Bonds Payable	-	42,213,660	44,942,197	29,984,341	4,429,916	50,315,671	171,885,785	
Refundable Advance	-	-	39,835,008	-	-	-	39,835,008	
Non-current Lease Liability	1,326,361	-	-	-	-	-	1,326,361	
Total Non-Current Liabilities	1,326,361	42,213,660	84,777,205	29,984,341	4,429,916	50,315,671	213,047,154	
Total Liabilities	4,126,207	87,341,342	117,499,799	40,463,672	17,887,163	57,104,811	324,422,994	
Net Assets								
Net Assets without Donor Restrictions								
Undesignated	451,971,894	-	-	-	-	-	451,971,894	
Invested in Trusts, net of debt	-	80,071,153	(4,800,643)	7,952,791	52,286,222	29,433,082	164,942,605	
Total Net Assets	451,971,894	80,071,153	(4,800,643)	7,952,791	52,286,222	29,433,082	616,914,499	
Total Liabilities and Net Assets	\$ 456,098,101	\$ 167,412,495	\$ 112,699,156	\$ 48,416,463	\$ 70,173,385	\$ 86,537,893	\$ 941,337,493	

South Carolina Student Loan Corporation

Consolidated Schedule of Activities (with Restrictions detail by Fund)

For the year ended June 30, 2024

		Invested in Trusts					
	Undesignated	1996 Resolution	2010-1 Resolution	2013-1 Resolution	2015 Resolution	2020 Resolution	Total
Operating Revenue							
Subsidized Interest	\$ 262,283	\$ 316,152	\$ 357,057	\$ 132,454	\$ 35,269	\$ -	\$ 1,103,215
Special Allowance	783,856	5,042,153	2,280,291	503,848	175,075	-	8,785,223
Unsubsidized Interest	10,625,836	8,954,384	7,883,498	3,199,894	6,724,486	6,476,657	43,864,755
Other Student Loan Income	174,013	235,187	207,685	89,926	73,805	45,174	825,790
Fees for Services	504,312	-	-	-	-	-	504,312
Assets Released from Restrictions	10,818,867	(950,384)	(840,970)	(3,027,265)	(559,971)	(5,440,277)	-
Total Operating Revenue	23,169,167	13,597,492	9,887,561	898,857	6,448,664	1,081,554	55,083,295
Operating Expenses							
Personnel	4,133,058	-	-	-	-	-	4,133,058
Contractual Services	3,795,040	-	-	-	389,894	318,497	4,503,431
General Operating Expenses	4,114,387	-	-	-	-	-	4,114,387
Interest on Debt	-	8,654,031	6,642,479	2,984,741	4,323,170	2,120,976	24,725,397
Bond Trust Operating Fees	-	60,331	44,207	33,215	37,648	14,488	189,889
USDE Consolidation Loan Fees	106,558	1,331,770	551,676	19,396	45,713	-	2,055,113
Borrower Benefits	192,525	711,258	455,063	24,886	91,163	78,821	1,553,716
Reinsurance Expense	75,221	169,851	135,005	122,164	12,405	-	514,646
Bad Debt Expense	967,471	-	-	-	1,286,930	1,811,978	4,066,379
Provision for Credit Losses	2,135,435	(14,487)	(3,092)	(5,954)	(209,647)	(143,946)	1,758,309
Total Operating Expenses	15,519,695	10,912,754	7,825,338	3,178,448	5,977,276	4,200,814	47,614,325
Non-Operating Revenue (Expense)							
Investment Income, Net of Fees	20,542,155	452,769	550,586	195,009	126,935	506,771	22,374,225
Total Non-Operating Revenue (Expense)	20,542,155	452,769	550,586	195,009	126,935	506,771	22,374,225
Changes in Net Assets without donor restrictions	\$ 28,191,627	\$ 3,137,507	\$ 2,612,809	\$ (2,084,582)	\$ 598,323	\$ (2,612,489)	\$ 29,843,195
Beginning Net Assets, As originally reported	425,874,580	77,194,794	(7,218,767)	10,198,148	55,005,297	35,457,956	596,512,008
Implementation Effect of ASC 326 (See Note 2)	(2,094,313)	(261,148)	(194,685)	(160,775)	(3,317,398)	(3,412,385)	(9,440,704)
Beginning Net Assets, As Restated	423,780,267	76,933,646	(7,413,452)	10,037,373	51,687,899	32,045,571	587,071,304
Ending Net Assets without donor restrictions	\$ 451,971,894	\$ 80,071,153	\$ (4,800,643)	\$ 7,952,791	\$ 52,286,222	\$ 29,433,082	\$ 616,914,499

South Carolina Student Loan Corporation
Consolidated Statement of Cash Flows (with Restrictions detail by Fund)
For the year ended June 30, 2024

		Invested in Trusts						
	Undesignated	1996 Resolution	2010 Resolution	2013 Resolution	2015 Resolution	2020 Resolution	Total with Restrictions	Total
Cash flows from operating activities								
Changes in net assets	\$ 28,191,627	\$ 3,137,507	\$ 2,612,809	\$ (2,084,582)	\$ 598,323	\$ (2,612,489)	\$ 1,651,568	\$ 29,843,195
Adjustments to reconcile changes in net assets to cash provided by (used for) operating activities:								
Depreciation	441,734	-	-	-	-	-	-	441,734
Unrealized (gain) loss on investment	(12,453,680)	-	-	-	-	-	-	(12,453,680)
Amortization of bond discount and issuance costs	-	698,056	220,213	54,775	2,176,731	303,889	3,453,664	3,453,664
Provision for credit losses and bad debts	3,102,906	(14,487)	(3,092)	(5,954)	1,077,283	1,668,032	2,721,782	5,824,688
Non-cash operating lease expense	196,694	-	-	-	-	-	-	196,694
Changes in operating assets and liabilities:								
Accounts receivable	216,186	98,660	98,619	(75,726)	(41,549)	(159,190)	(79,186)	137,000
Interest due from borrowers	(1,669,181)	2,137,381	2,167,308	1,083,078	(385,462)	530,101	5,532,406	3,863,225
Prepaid expenses	229,238	384	-	-	-	-	384	229,622
Defined benefit plan	(861,733)	-	-	-	-	-	-	(861,733)
Accrued investment income	-	(15,192)	(15,542)	9,012	-	-	(21,722)	(21,722)
Accounts payable and accrued expenses	122,602	(325,607)	(388,920)	(1,803)	(10,301)	(2,610)	(729,241)	(606,639)
Unearned Revenue	(18,884)	-	-	-	-	-	-	(18,884)
Lease Liability	(174,365)	-	-	-	-	-	-	(174,365)
Net cash provided by (used for) operating activities	17,323,144	5,716,702	4,691,395	(1,021,200)	3,415,025	(272,267)	12,529,655	29,852,799
Cash flows from investing activities								
Purchases from sale of property and equipment	(313,290)	-	-	-	-	-	-	(313,290)
Net changes in student loan receivable	(15,190,418)	51,122,586	35,119,757	13,770,767	11,654,289	10,343,016	122,010,415	106,819,997
Net changes in investments	(3,777,879)	-	-	-	-	-	-	(3,777,879)
Net cash provided by (used for) investing activities	(19,281,587)	51,122,586	35,119,757	13,770,767	11,654,289	10,343,016	122,010,415	102,728,828
Cash flows from financing activities								
Payments on bonds payable	-	(53,977,146)	(36,418,146)	(12,778,405)	(15,378,712)	(11,949,999)	(130,502,408)	(130,502,408)
Net cash provided by (used for) financing activities	-	(53,977,146)	(36,418,146)	(12,778,405)	(15,378,712)	(11,949,999)	(130,502,408)	(130,502,408)
Net increase (decrease) in cash and cash equivalents	(1,958,443)	2,862,142	3,393,006	(28,838)	(309,398)	(1,879,250)	4,037,662	2,079,219
Cash and Cash equivalents								
Beginning	6,522,096	8,774,127	10,684,279	1,913,707	2,050,524	8,595,943	32,018,580	38,540,676
Ending	\$ 4,563,653	\$ 11,636,269	\$ 14,077,285	\$ 1,884,869	\$ 1,741,126	\$ 6,716,693	\$ 36,056,242	\$ 40,619,895
Supplemental disclosure of cash flow information								
Cash payments for interest	\$ -	\$ (7,955,975)	\$ (6,422,266)	\$ (2,929,966)	\$ (2,146,439)	\$ (1,817,087)	\$ (21,271,733)	\$ (21,271,733)

South Carolina Student Loan Corporation

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2024

Federal Grantor/Program Title	Assistance Listing Number	Pass Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S Department of Education Programs:				
Federal Family Education Loan Program	84.032	N/A		
Loans			\$ -	\$ 487,232,913
Special allowances and subsidized interest			-	9,888,438
Total Expenditures of Federal Awards			\$ -	\$ 497,121,351

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the South Carolina Student Loan Corporation ("Corporation") under programs of federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a select portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

3. Loan Balances:

The Corporation administers the following federal loan program:

	Assistance Listing Number	Outstanding Loans Balance at July 1, 2023	Loans Disbursed to Students	Total Federal Expenditures Year Ended June 30, 2024	Outstanding Loans Balance at June 30, 2024
Federal Family Education Loan Program	84.032	\$ 487,232,913	\$ -	\$ 497,121,351	\$ 367,226,661

**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, 2024, 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 October 2, 2024.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

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
October 2, 2024

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, 2024. 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.

In our opinion, 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, 2024.

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 did not audit the Corporation's compliance with the requirements governing Special Tests and Provisions 1 through 10 in accordance with requirements of the Federal Family Education Loans Program (Lenders) as described in section 84.032L of 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 2020 edition of the United States Department of Education's *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* for the year ended December 31, 2023. Since the audit period of Nelnet is different than that of the Corporation, we obtained a representation from Nelnet that they have engaged (or will engage) an auditor to perform the required audit under the *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* for the immediate subsequent audit period. Our report does not include the results of the other accountants' examination of Nelnet's compliance with such requirements.

We 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.

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
October 2, 2024

South Carolina Student Loan Corporation

Schedule of Findings and Questioned Costs

For the year ended June 30, 2024

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? | <u> X </u> Yes | <u> </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal programs:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> 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:

ALN No.

Program / Cluster Name

84.032

Federal Family Education Loan Program (Lenders)

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

South Carolina Student Loan Corporation

Schedule of Findings and Questioned Costs

For the year ended June 30, 2024

Section II. Financial Statement Findings

Finding 2024-001 Teacher Loan Program

Criteria or Specific Requirement:

Generally Accepted Accounting Principles (GAAP) defines an asset as "a present right of an entity to an economic benefit", and a liability as "a present obligation of an entity to transfer economic benefits to others."

Condition:

In prior years the Corporation has served as an intermediary for the State by administering the State's Teacher Loan Program (TLP). In doing so, the Corporation has historically reported TLP assets and liabilities in its Consolidated Statement of Financial Position, with no impact to the net assets of the Corporation. However, it was determined that the Corporation's status as intermediary had changed to where TLP assets and liabilities were no longer rights and obligations of the Corporation in accordance with GAAP.

Cause:

During fiscal year 2022, physical custody of TLP assets was transferred from the Corporation to an account held at the State Treasury. In effect, this strengthened the "administer only" role of the Corporation and removed any justification for inclusion of TLP assets and liabilities on the Corporation's financials.

Effect:

There was no effect on the Corporation's net assets as any assets held by TLP were offset by an equal amount of liabilities to the State. Management has recorded an adjustment to remove approximately \$62.2 million in TLP assets and offsetting liabilities from the Corporation's Consolidated Statement of Financial Position as of June 30, 2023.

Context:

The condition was identified based on management's reassessment of the Corporation's role in administering TLP.

Recommendation:

We recommend that the Corporation continue to evaluate whether any assets or liabilities recorded as result of performing functions on behalf of the State is in accordance with GAAP.

Management Response and Corrective Action Plan:

Management agrees with the audit finding and notes that only the Consolidated Statement of Position and Consolidated Statement of Cash Flows were impacted by the inclusion of TLP assets and liabilities with no impact to net assets of the Corporation. These items were also presented with restrictions and the corresponding notes to the financial statements documented that the State of South Carolina was the owner of this program, and that the Corporation was the administrator.

Section III. Federal Award Findings and Questioned Costs

None reported.