

**South Carolina Student
Loan Corporation**

Report on Consolidated Financial Statements

For the year ended June 30, 2015

South Carolina Student Loan Corporation

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of South Carolina Student Loan Corporation and its related subsidiaries (Corporation) which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the South Carolina Student Loan Corporation's consolidated financial statements. The schedules, listed in the table of contents as supplementary information, are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2015, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Columbia, South Carolina
September 28, 2015

South Carolina Student Loan Corporation
Consolidated Statement of Financial Position
As of June 30, 2015 (with comparative amounts for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
Assets				
Current assets				
Cash and cash equivalents	\$ 86,261,029	\$ 200,209,092	\$ 286,470,121	\$ 156,389,280
Investments	169,048,474	-	169,048,474	57,851,619
Current portion of student loan receivables	6,574,347	257,380,589	263,954,936	287,026,773
Interest due from borrowers	532,409	38,254,610	38,787,019	43,019,866
Accounts receivable	996,812	-	996,812	1,193,175
Due from SC State Education Assistance Authority	1,927,751	3,326,978	5,254,729	14,049,988
Accrued investment income	229,160	33,004	262,164	204,087
Prepaid expenses	184,662	70,338	255,000	201,833
Due from (to) other funds	597,167	(597,167)	-	-
Total current assets	<u>266,351,811</u>	<u>498,677,444</u>	<u>765,029,255</u>	<u>559,936,621</u>
Long-term receivables and other assets				
Other student loan receivables, less current portion and net of allowance for loan loss of \$40,593,640	66,495,874	1,905,391,494	1,971,887,368	2,185,971,737
Teacher loans receivable - less allowance for teacher loan cancellations of \$12,255,841 and current portion	-	27,044,864	27,044,864	25,702,979
Overfunded defined benefit plan	451,892	-	451,892	770,942
Due from (to) other funds	20,942,464	(20,942,464)	-	-
Total long-term receivables and other assets	<u>87,890,230</u>	<u>1,911,493,894</u>	<u>1,999,384,124</u>	<u>2,212,445,658</u>
Property and equipment				
Land	364,900	-	364,900	364,900
Building	4,358,670	-	4,358,670	4,358,670
Furniture and equipment	2,526,290	-	2,526,290	2,336,419
Automobiles	70,215	-	70,215	53,348
Less, accumulated depreciation	(2,344,441)	-	(2,344,441)	(1,994,164)
Net property and equipment	<u>4,975,634</u>	<u>-</u>	<u>4,975,634</u>	<u>5,119,173</u>
Total assets	<u>\$ 359,217,675</u>	<u>\$ 2,410,171,338</u>	<u>\$ 2,769,389,013</u>	<u>\$ 2,777,501,452</u>

See Notes to Consolidated Financial Statements

South Carolina Student Loan Corporation
Consolidated Statement of Financial Position
As of June 30, 2015 (with comparative amounts for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
Liabilities and Net Assets				
Current liabilities				
Current portion of notes payable - finance loans	\$ -	\$ 4,348,373	\$ 4,348,373	\$ 4,534,326
Current maturities of bonds payable	-	321,140,754	321,140,754	359,306,222
Interest payable	-	2,397,684	2,397,684	2,182,208
Accounts payable	2,030,366	-	2,030,366	2,878,766
Deferred revenue	1,730,833	956,328	2,687,161	3,269,023
Teacher loan liability	-	958,240	958,240	983,334
Accrued pension payable	287,656	-	287,656	310,343
Compensated absences	1,794,949	-	1,794,949	1,863,733
Due to SC State Education Assistance Authority	-	-	-	694,697
Due to United States Department of Education	95,271	10,149,876	10,245,147	10,807,851
Total current liabilities	5,939,075	339,951,255	345,890,330	386,830,503
Noncurrent liabilities				
Bonds payable less current maturities	-	1,794,628,793	1,794,628,793	1,778,168,521
Due to SC State Education Assistance Authority	-	39,835,008	39,835,008	39,835,008
Notes payable - finance loans less, current maturities	-	49,872,581	49,872,581	55,266,102
Total noncurrent liabilities	-	1,884,336,382	1,884,336,382	1,873,269,631
Total liabilities	5,939,075	2,224,287,637	2,230,226,712	2,260,100,134
Net Assets				
Temporarily restricted				
For bond indentures - current debt service	-	11,389,880	11,389,880	11,058,166
For bond indentures	-	122,198,997	122,198,997	239,965,286
For teacher loans	-	52,294,824	52,294,824	47,574,092
Total temporarily restricted	-	185,883,701	185,883,701	298,597,544
Unrestricted				
Board designated	100,000	-	100,000	100,000
Undesignated	353,178,600	-	353,178,600	218,703,774
Total unrestricted	353,278,600	-	353,278,600	218,803,774
Total net assets	353,278,600	185,883,701	539,162,301	517,401,318
Total liabilities and net assets	\$ 359,217,675	\$ 2,410,171,338	\$ 2,769,389,013	\$ 2,777,501,452

See Notes to Consolidated Financial Statements

South Carolina Student Loan Corporation

Consolidated Statement of Activities

For the year ended June 30, 2015 (with comparative amounts for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
Revenue				
Income from United States Department of Education				
Student loan interest - subsidized	\$ 68,824	\$ 10,324,523	\$ 10,393,347	\$ 12,849,848
Special allowances	(395,365)	(50,361,789)	(50,757,154)	(56,698,748)
Student loan interest - non-subsidized	5,828,079	112,538,376	118,366,455	125,625,403
Investment income	2,705,854	-	2,705,854	951,749
Unrealized gain (loss) on investments	(1,588,774)	-	(1,588,774)	834,926
Late charges	35,742	2,192,193	2,227,935	2,159,083
Miscellaneous payments of student loans	(39)	(12,872)	(12,911)	(6,431)
Miscellaneous income	-	57,969	57,969	57,886
State appropriations - Department of Education	-	6,020,205	6,020,205	5,753,185
Remittance from SC State Education Assistance Authority				
for operating cost	578,882	-	578,882	617,555
Servicing fees	7,377,829	-	7,377,829	10,298,524
Other	2,835,925	219,948	3,055,873	736,821
Net assets released from restrictions	193,692,396	(193,692,396)	-	-
Total revenue	<u>211,139,353</u>	<u>(112,713,843)</u>	<u>98,425,510</u>	<u>103,179,801</u>
Expenses				
Personnel	11,348,103	-	11,348,103	11,613,830
Contractual services	1,454,238	-	1,454,238	5,106,651
General operating	7,273,593	-	7,273,593	6,400,423
Interest on debt	28,777,775	-	28,777,775	26,634,582
TLP cancellations	4,079,611	-	4,079,611	4,707,663
Payments to SC State Education Assistance Authority				
for student loan income	3,234,864	-	3,234,864	4,206,296
Loan fees	8,925,139	-	8,925,139	9,712,649
Reinsurance expense	1,061,652	-	1,061,652	1,627,729
Borrower incentives	5,957,897	-	5,957,897	6,159,167
Broker dealer fees	417,146	-	417,146	388,778
Building expenses	257,326	-	257,326	314,707
Loan loss expense	3,468,335	-	3,468,335	2,764,468
Other	408,848	-	408,848	449,339
Total expenses	<u>76,664,527</u>	<u>-</u>	<u>76,664,527</u>	<u>80,086,282</u>
Change in net assets	134,474,826	(112,713,843)	21,760,983	23,093,519
Net assets				
Beginning	218,803,774	298,597,544	517,401,318	494,307,799
Ending	<u>\$ 353,278,600</u>	<u>\$ 185,883,701</u>	<u>\$ 539,162,301</u>	<u>\$ 517,401,318</u>

See Notes to Consolidated Financial Statements

South Carolina Student Loan Corporation

Consolidated Statement of Cash Flows

For the year ended June 30, 2015 (with comparative amounts for 2014)

	2015			2014 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
Cash flows from operating activities				
Change in net assets	\$ 134,474,826	\$ (112,713,843)	\$ 21,760,983	\$ 23,093,519
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Depreciation	370,611	-	370,611	413,077
Unrealized (gain) loss on investments	1,588,774	-	1,588,774	(834,926)
Amortization of bond discounts	-	2,265,344	2,265,344	1,727,499
Amortization of cost for debt issuance	-	1,394,372	1,394,372	1,482,234
Loan Loss Expense	1,140,776	2,327,559	3,468,335	2,764,468
Teacher loan cancellations	-	4,079,611	4,079,611	4,707,663
Gain on the sale of fixed assets	-	-	-	(202,000)
Changes in operating assets and liabilities				
(Increase) decrease in due from SC State Education Assistance Authority	(120,411)	8,915,668	8,795,257	1,183,211
Decrease in interest due from borrowers	174,742	4,058,110	4,232,852	8,396,576
(Increase) decrease in accounts receivable	11,772,696	-	11,772,696	(2,768,192)
(Increase) decrease in accrued investment income	1,243,087	534	1,243,621	(122,095)
(Increase) decrease in prepaid expenses	(53,894)	728	(53,166)	(123,495)
Increase (decrease) in overfunded defined benefit plan	319,050	-	319,050	(299,889)
Increase (decrease) in due to (from) other funds	100,987	(100,987)	-	-
Increase (decrease) in interest payable	(1,301,699)	215,475	(1,086,224)	(259,492)
Decrease in accounts payable	(837,757)	-	(837,757)	(1,544,633)
Increase (decrease) in deferred revenue	(1,151,313)	(125,245)	(1,276,558)	1,911,801
Increase (decrease) in accrued pension expense	(22,687)	-	(22,687)	2,073
Increase (decrease) in compensated absences	(68,784)	-	(68,784)	175,695
Increase (decrease) in teacher loan liability	-	(25,094)	(25,094)	401,821
Decrease in due to US Department of Education	(13,245)	(560,101)	(573,346)	(426,859)
Decrease in due to SC State Education Assistance Authority	-	-	-	(65,053)
Net cash provided by (used in) operating activities	<u>147,615,759</u>	<u>(90,267,869)</u>	<u>57,347,890</u>	<u>39,613,003</u>
Cash flows from investing activities				
Purchase of property and equipment	(227,071)	-	(227,071)	(259,094)
Proceeds from sale of property and equipment	-	-	-	2,415,211
Change in student loan receivables, net	1,374,646	232,401,645	233,776,291	231,361,950
Change in teacher loan receivables, net	-	(5,509,916)	(5,509,916)	(5,843,199)
Net purchases on investments	(112,785,629)	-	(112,785,629)	(801,302)
Net cash provided by (used in) investing activities	<u>(111,638,054)</u>	<u>226,891,729</u>	<u>115,253,675</u>	<u>226,873,566</u>
Cash flows from financing activities				
Change in financing loans, net	(11,576,336)	(5,579,474)	(17,155,810)	(1,215,272)
Payments of bonds payable, net	-	(25,364,914)	(25,364,914)	(305,228,095)
Net cash used in financing activities	<u>(11,576,336)</u>	<u>(30,944,388)</u>	<u>(42,520,724)</u>	<u>(306,443,367)</u>
Net increase (decrease) in cash and cash equivalents	<u>24,401,369</u>	<u>105,679,472</u>	<u>130,080,841</u>	<u>(39,956,798)</u>
Cash and cash equivalents				
Beginning	61,859,660	94,529,620	156,389,280	196,346,078
Ending	<u>86,261,029</u>	<u>200,209,092</u>	<u>286,470,121</u>	<u>156,389,280</u>
Supplemental disclosures of cash flow information				
Cash payments for interest	\$ -	\$ 24,822,675	\$ 24,822,675	\$ 23,684,342
Disposal of fully depreciated property and equipment	\$ 20,333	\$ -	\$ 20,333	\$ 709,361

See Notes to Consolidated Financial Statements

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 1. Summary of Significant Accounting Policies

Reporting entity:

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

On January 1, 2011, SCSLC signed an agreement with Performant Financial Services (PFC) to provide debt collection services as a subcontractor for loans held by the United States Department of Education (DOE) for which PFC is collecting under a Master Servicing Agreement with the DOE. On April 1, 2011, SCSLC formed EdVantage Corporation (EdVantage), which is a controlled affiliate of SCSLC for the purpose of providing this subcontractor service. EdVantage ceased providing subcontractor services for PFC as of April 1, 2014; however, EdVantage has maintained required licensing. On April 1, 2014, EdVantage began providing collection services for the South Carolina State Education Assistance Authority (Authority).

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

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

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

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

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Overall operating arrangement:

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

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

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

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

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

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

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Overall operating arrangement (continued):

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

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

Basis of accounting:

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

Consolidation policy:

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

Display of net assets by class:

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

Unrestricted net assets:

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

Temporarily restricted net assets:

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

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Permanently restricted net assets:

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

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

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

Concentration risk:

The Corporation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. At June 30, 2015, all of the Corporation's cash was held in institutions that are covered by federal depository insurance; however, all demand deposit accounts exceeded the federally insured limit. The Corporation monitors each of these institutions for financial deterioration characteristics on a continuous basis, and as of June 30, 2015, believed each institution is well-capitalized with no going concern issues.

Investments:

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

Allowance for teacher loan cancellations:

The allowance for cancellations on teacher loans represents the Corporation's estimate of teachers who will teach in critical need areas in South Carolina and meet the criteria for annual cancellation of the greater of a specified dollar amount or 20% to 33 1/3% of their loan balances. In making the estimate, the Corporation considers the trend in the loan portfolio and current operating information. The allowance is based on total teacher loans times the expected cancellation rate. The evaluation is inherently subjective and the allowance could significantly change in the future. The allowance was \$12,255,841 at June 30, 2015. The Corporation maintains \$958,240 as a liability at June 30, 2015, for the undisbursed funds from the Teacher Loan Program. The Corporation matches the receipt of the funds from the State of South Carolina with the disbursement of the funds to the teachers who are expected for cancellation.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Provision for losses on student loans:

The provision for losses on student loans represents the Corporation's estimate of the costs related to the 2% to 3% risk sharing on FFEL loans and losses related to servicing all guaranteed loans by the Corporation that are not covered by its financings (See Note 6). The Corporation makes no provision of losses on student loans securing any of its financings as all of the borrowings disclosed in Note 7 are nonrecourse to the Corporation. The holders of the Bonds have all the credit risk for student loan losses that occur in each "trust estate". The provision also includes an estimate for non-guaranteed loans. In making the estimate, the Corporation considers the trend in default rates in the loan guarantee portfolio, past and anticipated loss experience, current operating information, and changes in economic conditions. The evaluation is inherently subjective and the provisions may significantly change in the future. Additionally, the Corporation maintains a 100% allowance for all PAL loans past due 180 days or greater. The allowance for loan losses was \$40,593,640 at June 30, 2015 (see Note 6 on Federal Reinsurance of FFEL loans).

Property and equipment:

Property and equipment costing over \$10,000, for SCSLC and \$3,500 for its Campus Partners subsidiary is capitalized at cost when purchased. Depreciation has been provided using the straight-line method over useful lives of three to ten years for furniture and equipment, three years for automobiles and computers and thirty-nine years for the building.

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

Cost of issuance of bonds and bond premiums and discounts are being amortized/accreted over the lives of the bond issues on a straight-line basis and are included in interest on debt.

Compensated absences:

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

Income taxes:

The Corporation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the Corporation's tax positions and concluded that the Corporation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Corporation is no longer subject to income tax examination by the U.S. federal, state or local tax authorities for years before 2012. EdVantage is also exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated EdVantage's tax positions and concluded that EdVantage had no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Recently issued accounting pronouncements:

In April 2015, the FASB issued guidance that will require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. This update affects disclosures related to debt issuance costs but does not affect existing recognition and measurement guidance for these items. The amendment is effective for fiscal years beginning after December 15, 2015, and interim periods beginning after December 15, 2016, with early adoption permitted. The Company adopted this amendment for the fiscal year ending June 30, 2015 and applied it retrospectively. This amendment did not have a material effect on the financial statements.

Comparative amounts:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Note 2. Cash and Cash Equivalents

As of June 30, 2015, cash and cash equivalents include demand deposits and short-term investments with a maturity of three months or less as follows:

	<u>Cost</u>	<u>Market Value</u>
Unrestricted		
South Carolina State Treasurer pool	\$ 327,514	\$ 327,514
Collateralized demand deposits	7,293,545	7,293,545
Money market	78,639,970	78,639,970
Total unrestricted	<u>\$ 86,261,029</u>	<u>\$ 86,261,029</u>
Temporarily restricted		
Collateralized demand deposits	\$ 32,343	\$ 32,343
Money market	139,436,998	139,436,998
South Carolina State Treasurer pool	20,641,936	20,822,038
Guaranteed investment contracts	39,917,713	39,917,713
Total temporarily restricted	<u>\$ 200,028,990</u>	<u>\$ 200,209,092</u>

Cash and cash equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$20,822,038.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 3. Investments

Market value of investments is determined by quoted market values and consists of the following as of June 30, 2015:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$ 6,828,122	\$ 6,960,376
Corporate bonds	162,118,364	161,982,066
Insured deposits	106,032	106,032
Total	<u>\$ 169,052,518</u>	<u>\$ 169,048,474</u>

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

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

On November 23, 2011, SCSLC signed a contract with Educational Loan Servicing, LLC (ELS) d/b/a Campus Partners (CP) as a vendor to provide a platform and servicing functionality sufficient to meet the requirements for servicing DOE Direct Loans. Subsequently, on February 1, 2012 SCSLC purchased 27.67% ownership of ELS for \$4,000,000 from JPT Partners (JPT), which was the sole owner of all equity of ELS, with an option to purchase from JPT an additional 23.37% at a later date for \$3,500,000 for a total ownership of 50.00%. As a result of several delays by CP in providing the contracted servicing platform for Direct Loans (DL), SCSLC evaluated its current investment in ELS and declined to make the additional \$3,500,000 investment. On June 20, 2012, SCSLC made an offer under certain conditions to CP to provide a revocable line of credit for \$6,000,000 for a term of three years at a rate of prime plus 1.5% to provide CP sufficient funding to complete the development of the servicing platform. Additional terms of the offer to provide the \$6,000,000 line of credit was that the initial \$4,000,000 investment would represent a 51.00% ownership by SCSLC, as SCSLC believed that the equity value had declined as a result of the delays in the delivery of the servicing platform. Also, the Board of Directors of ELS would be restructured from three members to five members with three members appointed by SCSLC and two members appointed by JPT. All decisions would be approved by a majority vote. The amended offer term sheet also included several less significant provisions that would need to be met in order for SCSLC to provide the line of credit. On July 30, 2012, SCSLC extended the revocable \$6,000,000 to CP and as a result of the conditions to provide the note, SCSLC obtained an additional 23.33% of ELS for a total ownership of 51%. On February 26, 2013, SCSLC purchased the remaining 49% of equity in CP from ELS for a purchase price of \$1,245,000, resulting in an ownership of 100% of CP.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

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

On June 11, 2015, ELS entered into an agreement with Heartland Payment Systems, Inc. (HL) resulting in the sale of all CP customer contracts to HL. The contracts include managing the servicing, accounting and processing of Perkins and institutional student loans for higher education institutions. Since the employees of CP performed these functions, all CP employees were terminated with the effective date of the agreement and available for hire by HL to continue performing the functions needed to fulfill customer contracts. Depending on the nature of employee benefits, some benefits continued under CP coverage through the end of the month of employee termination. Under the terms of the agreement, for a specified period CP will continue to coordinate certain transition services needed by HL to perform under the terms of the contracts using the CP's servicing system. CP will also share in the contract revenue with HL as specified in the agreement. As a result of this transaction, the \$13,396,336 note payable from CP to SCSLC was reduced to \$920,000 at June 30, 2015. The Corporation recorded a valuation allowance of \$12,476,336 on the note for the year ending June 30, 2015. CP recorded income for cancellation of debt related to the valuation allowance for \$12,476,336 on the note payable for the year ending June 30, 2015. These amounts were eliminated in the consolidated financial statements.

Note 5. Amounts Due From (to) the Corporation

As of June 30, 2015, the Authority owes the Corporation funds collected on their behalf of \$5,254,729, which are required to be paid by the tenth of each month. The Corporation owes the Authority funds it contributed to the 2010-1 General Resolution \$39,835,008 (see Note 7) and \$694,697 for deferred costs of issuance on the 2009 PAL bond.

Note 6. Federal Family Education Loans and Federal Reinsurance of FFEL Loans

In 2015, these loans were bearing interest at fixed rates ranging from 2.875% to 10.0% or an annual variable rate of 1.73% to 3.35%. The annual variable rate is reset each July 1 using the bond equivalent rate of the 91-day or 52-week Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus 1.70% to 3.25% with a cap on the rate of 8.25% to 12.0%. The repayment period for these loans is five (5) to thirty (30) years with a minimum payment of \$360 or \$600 per year, except in the case of income-based repayment plans. Repayment of principal may be scheduled to begin within sixty (60) days of final disbursement or six (6) to ten (10) months after the student graduates or ceases to be enrolled on at least a half-time basis in an eligible institution.

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 25 years in the income-based repayment plan, any remaining debt is discharged.

Loans are insured against death, disability and default by the Authority at 97% to 100% and are reinsured by the U.S. Department of Education up to 100% for loans made prior to October 1, 1993; up to 98% for loans made on or after October 1, 1993, but on or before June 30, 2006; and 97% for loans made on or after July 1, 2006. Total loans insured by the Authority at June 30, 2015, are \$1,966,205,875.

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

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

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

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

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

Note 7. Bonds Payable

The Corporation issued bonds for the first time in the year ended June 30, 1997. All of the Corporation's bonds and notes are secured only by loans funded by bond proceeds or otherwise pledged, related revenue from such loans, investments and earnings on investments in related accounts and by a debt service reserve funded from bond proceeds. The Corporation's bonds and notes are each secured by assets held by a trustee in one of 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 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, 2015, the Corporation held funds on deposit in the debt service funds of \$11,389,880.

The bonds outstanding as of June 30, 2015, are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding June 30, 2014</u>	<u>Issued (Retired) During FY 2015</u>	<u>Balance Outstanding June 30, 2015</u>
November 10, 2004	\$ 180,000,000	6/1/2034	\$ 129,050,000	\$ (9,550,000)	\$ 119,500,000
July 19, 2005	700,000,000	12/3/2018 - 12/1/2023	434,758,000	(169,014,000)	265,744,000
July 11, 2006	500,000,000	12/2/2019 - 12/1/2022	315,115,000	(178,084,000)	137,031,000
October 25, 2006	182,000,000	9/2/2046	118,400,000	(7,800,000)	110,600,000
June 25, 2008	600,000,000	9/2/2014 - 9/3/2024	265,874,993	(45,752,111)	220,122,882
November 30, 2010	920,000,000	1/25/2021 - 10/27/2036	622,242,619	(71,919,113)	550,323,506
February 20, 2013	323,620,000	1/25/2041	267,558,541	(37,071,910)	230,486,631
August 20, 2014	501,500,000	4/1/2030 - 8/1/2035	-	501,500,000	501,500,000
			<u>2,152,999,153</u>	<u>\$ (17,691,134)</u>	<u>2,135,308,019</u>
Less costs of issuance			<u>(15,524,410)</u>		<u>(19,538,472)</u>
			<u>\$ 2,137,474,743</u>		<u>\$ 2,115,769,547</u>

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 7. Bonds Payable, Continued

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

The Corporation's LIBOR Indexed Bonds in the 1996 General Resolution totaled \$904,275,000 as of June 30, 2015, and have variable interest rates equal to three-month LIBOR plus 0.12% to 0.14%, as adjusted quarterly, or one-month LIBOR plus 0.75% to 1.5%, as adjusted monthly. Throughout the year ended June 30, 2015, none of the rates exceeded 1.684%. Future interest payment projections are based upon the ten-year weighted average rate at June 30, 2015, which was 1.503%.

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

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

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

Auction Rate Securities Secured by 2004 General Resolution:

The Corporation's auction rate securities (ARS) totaled \$230,100,000 as of June 30, 2015, and have variable interest rates determined by auctions every 28 days. These ARS experienced the first failed auction in February 2008, and have been in a failed auction mode since that time. The payment of principal and interest on the ARS, when due, is insured by Ambac Assurance Corporation. The interest rates are subject to a maximum of the lesser of (i) a nominal cap of 17% or 20%, depending on the series, or (ii) one-month LIBOR plus 1.50% to LIBOR plus 2.50%, depending on the then-current rating of the ARS. Due to the current rating on the bonds, they bear a rate of one-month LIBOR plus 2.50%. The ARS are subject to redemption in whole or in part at par plus accrued interest on the first day of any auction period.

LIBOR Notes Secured by 2008-1 General Resolution:

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

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 7. Bonds Payable, Continued

LIBOR Notes Secured by 2008-1 General Resolution (continued):

Principal and interest on the LIBOR Notes are to be paid on each Distribution Date (the first business day of each March, June, September, and December beginning September 2008). Principal will be paid first on the A-1 Notes until paid in full, second on the A-2 Notes until paid in full, third on the A-3 Notes until paid in full and fourth on the A-4 Notes until paid in full. The A-1 notes have been paid in full. The LIBOR Notes issued under the 2008-1 General Resolution are subject to optional redemption on the Distribution Date immediately following the date when the Pool Balance is 10% or less of the Initial Pool Balance. The LIBOR Notes Secured by 2008-1 General Resolution balance as of June 30, 2015 was \$220,122,882.

LIBOR Notes Secured by the 2010-1 General Resolution:

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

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

Principal and interest on the LIBOR notes is to be paid on each Distribution Date (the twenty-fifth day of each January, April, July, and October, or the next business day if such day is not a business day). Principal will be paid first on the A-1 Notes until paid in full, second on the A-2 Notes until paid in full, and third on the A-3 Notes until paid in full. The Notes are subject to optional redemption on the next Distribution Date occurring when the Pool Balance is 10% or less of the Initial Pool Balance. The balance of the Notes as of June 30, 2015 was \$550,323,506.

LIBOR Notes Secured by the 2013-1 General Resolution:

On February 20, 2013, the Corporation issued \$323,620,000 of Student Loan Backed Notes, 2013-1 Series, with a variable interest rate of one-month LIBOR plus 0.50%. Proceeds of the issue were used to (i) prepay the Corporation's Funding Note under the Straight A Funding federal conduit, (ii) refinance the Corporation's credit facility with the Royal Bank of Canada, (iii) fund a distribution to the Corporation for the pledge of certain FFELP student 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

June 30, 2015

Note 7. Bonds Payable, Continued

LIBOR Notes Secured by the 2013-1 General Resolution (continued):

Principal and interest on the LIBOR notes is to be paid on each Distribution Date (the twenty-fifth day of each month, or the next business day if such day is not a business day). The Notes are subject to optional redemption on the next Distribution Date occurring when the Pool Balance is 10% or less of the Initial Pool Balance. The balance of the notes as of June 30, 2015 was \$230,486,631.

Projected debt service:

As of June 30, 2015, the scheduled debt service to retire the bonds and notes of the Corporation is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 148,153,000	\$ 39,107,426	\$ 187,260,426
2017	120,491,000	37,035,089	157,526,089
2018	104,477,000	35,283,378	139,760,378
2019	29,654,000	34,007,591	63,661,591
2020	102,122,882	33,463,584	135,586,466
2021	-	32,293,302	32,293,302
2022	-	32,293,302	32,293,302
2023	-	32,293,302	32,293,302
2024	-	32,293,302	32,293,302
2025	118,000,000	30,953,390	148,953,390
2026	325,323,506	26,762,273	352,085,779
2027	-	25,519,586	25,519,586
2028	-	25,519,586	25,519,586
2029	-	25,519,586	25,519,586
2030	328,000,000	25,519,586	353,519,586
2031	-	20,507,944	20,507,944
2032	-	20,507,944	20,507,944
2033	100,500,000	20,124,049	120,624,049
2034	119,500,000	18,972,364	138,472,364
2035	-	16,970,823	16,970,823
2036	73,000,000	16,041,326	89,041,326
2037	225,000,000	13,803,041	238,803,041
2038	-	12,417,563	12,417,563
2039	-	12,417,563	12,417,563
2040	-	12,417,563	12,417,563
2041	230,486,631	8,246,373	238,733,004
2042	-	1,852,473	1,852,473
2043	-	1,852,473	1,852,473
2044	-	1,852,473	1,852,473
2045	-	1,852,473	1,852,473
2046	-	1,852,473	1,852,473
2047	110,600,000	463,110	111,063,110
	<u>\$ 2,135,308,019</u>	<u>\$ 650,016,311</u>	<u>\$ 2,785,324,330</u>

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 7. Bonds Payable, Continued

Projected debt service (continued):

The weighted average interest rate used for future interest payment projections was 1.503%. An additional 0.15% was added to this rate when calculating the 2004 Resolution in order to account for Broker Dealer Fees. This estimate is inherently subjective and the rate may change significantly in the future.

As outlined in the 2004 General Resolution, the 2008-1 General Resolution, the 2010-1 General Resolution, and the 2013-1 General Resolution the Corporation is making either optional redemption payments or principal distributions to pay down the bonds when they receive excess revenues from the student loan receivables. At June 30, 2015, the Corporation estimated they would make optional redemption or principal distribution payments for the next year in the amount of \$323,100,000.

Note 8. Notes Payable - Finance Loans

Each bond resolution of the Authority requires that all funds advanced to SCSLC by the Authority for the purpose of making student loans be evidenced by a loan agreement, assignment of collateral and assignment of revenues between the two parties, with the student loans providing security to the bond trustee. Advances to the Corporation from the Authority's 2009 PAL General Resolution are made pursuant to a loan agreement dated October 29, 2009. Since the bonds for the 2009 PAL were issued after the peak Student Loan Funding period, the Corporation was only able to finance new student loans of approximately \$40,000,000, while the bonds outstanding were \$85,000,000. Due to market conditions during the 2009-2010 fiscal year and restrictions on types of investment instruments available to the Authority, interest earned on its investments from the excess funds received from the bond issuance was less than the interest expense of the bonds. The terms of the note agreement between SCSLC and the Authority, as a result of the 2009 PAL General Resolution, require the Corporation to reimburse the Authority for the difference between the interest earned and the interest expense. The Corporation was aware of this situation at the time of issuance of the bonds, but expected loan activity during the 2010-2011 school year would be sufficient to allow it to recover from this situation in the near term. As a result of the Corporation reimbursing the Authority for the negative spread on interest during fiscal 2010, the Corporation realized a loss for the year in the 2009 PAL Resolution and ended the year with a negative Net Asset Balance. During Fiscal 2012-2013, market conditions continued to be suppressed resulting in additional negative spread on interest and a realized loss for the year in the 2009 PAL Resolution. In October 2013 the Corporation contributed \$6,717,492 of PAL loans from its unrestricted portfolio to the 2009 PAL Resolution. The Net Asset Balance was \$536,570 at June 30, 2015. The finance loan balance as of June 30, 2015 was \$54,220,954.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 9. Special Allowance Income or Expense

Special allowance was instituted to assure the interest rate and other limitations of the Higher Education Act, in the context of the market conditions, would not adversely affect access to student loans or cause the rate of return on student loans to be less than equitable.

For loans disbursed prior to April 1, 2006, lenders are entitled to retain interest income in excess of the special allowance support level in instances when the loan rate exceeds the special allowance support level. However, lenders are not allowed to retain interest income in excess of the special allowance support level on loans disbursed on or after April 1, 2006, and are required to rebate any such excess interest to the federal government on a quarterly basis. This modification effectively limits lenders' returns to the special allowance support level. For the year ended June 30, 2015, the Corporation remitted \$50,757,154 of interest income in excess of the special allowance support level to the DOE.

Note 10. Employee Benefit Plans

Money Purchase Pension Plan:

The Corporation provides retirement benefits through the South Carolina Student Loan Corporation Money Purchase Pension Plan (MPPP) for all employees who have completed one year of service and attained age 21. The MPPP was originally established on July 1, 1975. As of June 30, 2015, BB&T was the Trustee of this plan. This is a defined contribution plan in which the employer contributes 5.6% of the participant's total annual compensation plus 5.6% of compensation exceeding the social security wage base. Contributions are paid monthly. A participant is 20% vested after two years service and 100% vested after six years of service. A participant receives normal retirement at age sixty-five. At termination of employment or reaching normal retirement age, the participant has the right to elect to receive all or any portion of his vested benefit derived from employer contributions. Voluntary contributions are not permitted. Forfeitures under the plan reduce the employer's contribution in the year following the plan year in which the forfeiture occurs. The total retirement expense for 2015 was \$324,845 of which the Authority reimbursed \$49,458, and is fully funded.

403(b) Defined Contribution Plan:

The South Carolina Student Loan Corporation 403(b) Defined Contribution Plan was established on November 5, 2002, and subsequently amended on January 1, 2009. The plan provides for a 5% contribution by the Corporation based on the participant's total annual compensation. The total amount contributed under the plan in 2015 was \$287,656 of which the Authority reimbursed \$45,391 for its employees. All employees who have completed one year of service and attained age 21 are eligible to receive employer contributions. Contributions are 100% vested when made.

401(k) Profit Sharing Plan:

SCSLC's subsidiary, CP maintains a defined contribution 401(k) profit sharing plan for all employees who have six months of service and attained the age of 21. Participants may make voluntary contributions equal to 100% of elective deferrals, up to 3% of each participant's annual compensation. CP may also elect to make discretionary contributions. CP contributions to this plan vest ratably over a four year period, beginning with the second year of participation. Contribution expense for the year ended June 30, 2015 was \$20,929.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 10. Employee Benefit Plans, Continued

401(k) Profit Sharing Plan (continued):

As a result of the June 11, 2015 Agreement with HL (Note 4), all CP employees were terminated. This 401(k) profit sharing plan was terminated on June 24, 2015. Participants were given sixty days to request a distribution. Participants would receive a "Force-out Distribution" if requests were not received within the sixty day window.

Tax Deferred Annuity:

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

457(b) Deferred Compensation Plan:

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

Defined Benefit Pension Plan:

The Corporation established the South Carolina Student Loan Defined Benefit Plan (DBP) on July 1, 1998. The defined benefit pension plan covers substantially all employees with a minimum one year of service and 21 years of age. The DBP provides benefits based on the average of a participant's highest five consecutive years of pay. The benefit formula uses one percent of this average pay times years of service not to exceed thirty (30) years. The Corporation pension funding policy is to make at least the minimum annual contribution that is actuarially computed by the projected unit credit method required by this plan. The following sets forth the benefit obligation, the fair value of plan assets, and the funded status of the Corporation's plan, as well as the amounts recognized in the Corporation's financial statements at June 30, 2015:

Change in projected benefit obligation:	
Projected benefit obligation at June 30, 2014	\$ 14,435,199
Service cost	442,029
Interest cost	608,678
Actuarial (gain) loss	324,260
Benefits paid	<u>(420,622)</u>
Projected benefit obligation at June 30, 2015	<u>\$ 15,389,544</u>
Change in fair value of plan assets:	
Fair value of Plan assets at June 30, 2014	15,206,141
Actual return on assets	455,917
Employer contributions	600,000
Benefits paid	<u>(420,622)</u>
Fair value of Plan assets at June 30, 2015	<u>\$ 15,841,436</u>

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 10. Employee Benefit Plans, Continued

Defined Benefit Pension Plan (continued):

Funded status	\$ <u>451,892</u>
Amounts Recognized in the Statement of Financial Position:	
Noncurrent assets	\$ <u>451,892</u>
Amounts Recognized in Accumulated Other Comprehensive Income:	
Net (gain) loss	\$ 3,245,804
Prior service cost	<u>(16,685)</u>
Net amount recognized	<u>\$ 3,229,119</u>

The following are weighted average assumptions used to determine benefits, obligations and net periodic benefit cost as of June 30, 2015 and 2014. The measurement date of the projected benefits obligation and Plan assets was June 30, 2015.

	<u>2015</u>	<u>2014</u>
Assumptions used		
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.35%	4.24%
Rate of compensation increase	4.00%	4.00%
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	4.24%	4.24%
Rate of compensation increase	4.00%	4.00%
Expected return on plan assets	7.00%	7.00%

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

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 10. Employee Benefit Plans, Continued

Components of net periodic benefit cost and employee benefit-related changes other than net periodic pension cost for the year ending June 30, 2015 are as follows:

Net periodic benefit cost	
Service cost	\$ 442,029
Interest cost	608,678
Expected return on plan assets	1,067,553
Amortization of prior service cost	(26,483)
Amortization of accumulated gain (loss)	<u>187,211</u>
Net periodic benefit cost	<u>143,882</u>
Administrative expenses	<u>72,236</u>
Net periodic benefit cost	<u>\$ 216,118</u>
Corporation's share	\$ 183,700
Authority's share	<u>32,418</u>
	<u>\$ 216,118</u>
Employee benefit - related changes other than net periodic pension cost	
Net gain (loss)	\$ 935,896
Prior service cost	-
Amortization of prior service cost	26,483
Amortization of loss	<u>(187,211)</u>
Employee benefit - related changes other than net periodic benefit cost	<u>\$ 775,168</u>
Corporation's share	\$ 658,892
Authority's share	<u>116,276</u>
	<u>\$ 775,168</u>
Total net periodic benefit cost and employee benefit - related changes other than net periodic benefit cost	<u>\$ 991,286</u>

The net pension (gain) expense for this Defined Benefit Pension Plan totaled \$919,050 plus \$72,236 of administrative expenses, totaling \$991,286 for the year ended June 30, 2015. The Authority recorded an expense of \$5,869 and the Corporation recorded an expense of \$66,367 for this Plan for its employees for the year ended June 30, 2015. No participant contributions are permitted by the pension plan.

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$276,483 and (\$16,685), respectively. The accumulated benefit obligation for the defined benefit pension plan was \$14,233,824 at June 30, 2015.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 10. Employee Benefit Plans, Continued

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

The Corporation's target asset allocation as of June 30, 2015, by asset category, is as follows:

Money market	6%
Equity securities	52%
Debt securities	35%
Insurance policies	<u>7%</u>
	<u>100%</u>

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

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

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

The Corporation expects to contribute \$600,000 to its Defined Benefit Plan during 2015-2016.

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

2016	\$	605,507
2017		640,057
2018		680,461
2019		725,386
2020		770,013
2021 - 2025		4,501,731

Note 11. Rental Property, Operating Leases and Commitments

The Corporation owns and conducts its business from an office building in the northeast area of Columbia, South Carolina. The entire building is utilized by SCSLC and its controlled affiliate. Certain lease expense is charged to the Authority and EdVantage Corporation based on space occupied in the building. In addition, the Corporation leases computer software and mail room equipment for terms of 36 to 60 month periods. Future minimum lease payments are as follows:

2016	\$	69,626
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South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 11. Rental Property, Operating Leases and Commitments, Continued

Additionally, the Corporation's CP subsidiary leases office space in Winston Salem, North Carolina under the terms of a non-cancelable operating lease expiring September 2015. The lease contains fixed increases as well as increases based on Consumer Price Index (CPI) and requires CP to pay its share of any increases in real estate taxes and operating expenses. CP also leases certain office equipment under operating lease arrangements which expire through January 2017.

Future minimum lease payments for CP under the office lease obligation and equipment operating lease arrangements as of June 30, 2015 are as follows:

2016	\$	92,128
2017		33,970

CP has also entered in to various software licenses as detailed below:

Sirius Computer Solutions Services Agreement - CP entered into a managed services agreement in October 2011 with Sirius Computer Solutions, Inc. to host CP's loan servicing system. The term of the agreement is for sixty (60) months, with a monthly base payment of \$89,500 in the first twelve (12) months of the agreement, and a monthly base payment of \$129,700 due thereafter. This agreement has a three (3) month extension at the end of the term to negotiate the terms and length of a renewal agreement. This agreement has a three (3) year renewal term option. As a result of CP discontinuing the DL Servicing product, CP is currently reviewing the capacity needs of the remaining business and expect to renegotiate this contract during the next year.

CA Technologies License Agreement - CP entered into a license agreement in September 2011 with CA Technologies. The term of the agreement is sixty (60) months. Quarterly payments under this agreement are approximately \$120,000 per quarter for the first three (3) years and \$90,000 per quarter thereafter. This agreement has a three (3) year renewal term option. As a result of CP discontinuing the DL Servicing product, they are currently reviewing the capacity needs of the remaining business and expect to renegotiate this contract during the next year.

Under the terms of the June 11, 2015 HL agreement with ELS, HL and ELS will share the expenses for both the Sirius and CA Technology agreements throughout the transition period with HL responsible for 60% and ELS responsible for 40%. The transition period is defined as the earlier of the date all purchased contracts are converted to HL's system or fifteen months after the June 11, 2015 closing date of the HL agreement with ELS (Note 4).

Non-Recourse Sale Agreements - CP entered into three (3) non-recourse sale agreements in 2008. The sale agreements were consummated to transfer all rights, title and interest in private student loans retained on CP's balance sheet in early 2008, and contained customary representations and warranties with respect to the condition of the private student loans as of the sale dates. As of June 30, 2015, CP does not have any repurchase obligations with respect to breaches of the customary representations and warranties contained in these sale agreements, and views the probability of any future repurchase obligations as remote.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 12. Assets Released from Restrictions

Net assets during the year ended June 30, 2015, were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$	214,860
Contractual services		27,252
General operating		43,668
Interest on debt		28,777,775
TLP cancellations		4,079,611
Payments to SC State Education Assistance Authority for student loan income		3,234,864
Loan fees		8,863,279
Reinsurance expense		1,042,335
Borrowers incentives		5,941,954
Broker dealer fees		417,146
Loan loss expense		2,327,559
Other		408,848
Total expenses		<u>55,379,151</u>
Transfers related to parity release from 1996 General Resolution		125,429,965
Transfer from taxable bond financings for loan servicing		<u>12,883,280</u>
Total	\$	<u>193,692,396</u>

Note 13. Disclosures About Fair Value of Financial Instruments

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

- Level 1 Observable, unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets and inputs other than quoted prices, such as interest rates, yield curves and prepayment speeds.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair values 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.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

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. Student loan receivables' carrying value approximates fair value based on like sale of student loans within the industry. In 2011, the Corporation sold a portion of its loans from the FFEL program at par value. Debt instruments carrying value also approximates fair value based on the prices for the same or similar debt issues and on current rates offered to the Corporation for debt of the same remaining maturities with similar collateral requirements.

	<u>Carrying Value</u>	<u>Estimated Fair Value</u>
Financial assets		
Cash and cash equivalents	\$ 286,470,121	\$ 286,470,121
Investments	169,048,474	169,048,474
Student loan receivables	2,235,842,304	2,235,842,304
Teacher loan receivables	27,044,864	27,044,864
Financial liabilities		
Notes payable	\$ 54,220,954	\$ 54,220,954
Bonds payable	2,115,769,547	2,115,769,547

	<u>June 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Cash and cash equivalents	\$ 286,470,121	\$ 286,470,121	\$ -	\$ -
Money market	30,272	30,272	-	-
Insured deposits	75,760	75,760	-	-
Mutual funds	6,960,376	6,960,376	-	-
Corporate bonds	161,982,066	-	161,982,066	-
Student loan receivables	2,235,842,304	-	2,235,842,304	-
Teacher loan receivables	27,044,864	-	27,044,864	-
Total financial assets	<u>\$ 2,718,405,763</u>	<u>\$ 293,536,529</u>	<u>\$ 2,424,869,234</u>	<u>\$ -</u>
Financial liabilities				
Notes payable	\$ 54,220,954	\$ -	\$ 54,220,954	\$ -
Bonds payable	2,115,769,547	-	2,115,769,547	-
Total financial liabilities	<u>\$ 2,169,990,501</u>	<u>\$ -</u>	<u>\$ 2,169,990,501</u>	<u>\$ -</u>

Note 14. Reclassifications

Certain reclassifications of fiscal year 2014 amounts were made on the statement of financial position and the statement of activities for comparability to fiscal year 2015 with no effect on the change in net assets or total net assets.

South Carolina Student Loan Corporation

Notes to Consolidated Financial Statements

June 30, 2015

Note 15. Board Designated Net Assets

During fiscal year 2006, the Board designated funds to establish the Mackie Scholarship Fund to award scholarships to employees or family members of employees. As of June 30, 2015, \$100,000 is available for future scholarships.

Note 16. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. Management has reviewed events occurring through the date the financial statements were available to be issued and no subsequent events occurred requiring accrual.

Effective July 1, 2015, the Corporation amended the South Carolina Student Loan Corporation 403(b) Defined Contribution Plan to include the employee contribution features of the TDA GSRA. While the terms of both employer and employee contributions remain essentially unchanged, the update provides simplified reporting to employees in the future. Any funds contributed to the TDA GSRA remain in that plan with the current Trustee, TIAA CREF, until paid out to the participant under the terms of release or transferred to another qualified plan as directed by the participant and allowed by the annuity terms.

Effective August 1, 2015, SCSLC changed the Trustee for several benefit plans to USI Consulting Group Inc. This change includes 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, and the South Carolina Student Loan Corporation 457(b) Deferred Compensation Plan. Also effective August 1, 2015, each participant in the MPPP self directs the investments for their funds.

The South Carolina Restructuring Act of 2014 (Act 121) eliminated the State Budget and Control Board on June 30, 2015. Act 121 created the State Fiscal Accountability Authority (SFAA). The SFAA is governed by the Governor, State Treasurer, Comptroller General, Chairman of the Senate Finance Committee and Chairman of the House Ways and Means Committee. Effective July 1, 2015, the governance of the Authority was transferred to the SFAA.

Effective September 10, 2015, Palmetto Investment Holdings, Inc. (PIHI), a South Carolina corporation (C-Corp) was organized as a wholly-owned subsidiary of SCSLC. PIHI will serve as the holding company for future for-profit ventures within the consolidated South Carolina Student Loan Corporation corporate structure. Also effective September 10, 2015, SC3 Solutions, LLC (SC3) was formed as a wholly-owned subsidiary of Palmetto Investment Holdings, Inc. SC3 will initially focus on call center ventures.

South Carolina Student Loan Corporation

Consolidated Schedule of Financial Position By Fund - Unrestricted

June 30, 2015

	Operating/SLC	Campus Partners	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 85,759,241	\$ 501,788	\$ -	\$ 86,261,029
Investments	169,048,474	-	-	169,048,474
Current portion of student loan receivables	6,574,347	-	-	6,574,347
Interest due from borrowers	532,409	-	-	532,409
Accounts receivable	1,109,128	807,684	(920,000)	996,812
Due from SC State Education Assistance Authority	1,927,751	-	-	1,927,751
Accrued investment income	202,506	26,654	-	229,160
Prepaid expenses	184,662	-	-	184,662
Due from (to) other funds	597,167	-	-	597,167
Total current assets	<u>265,935,685</u>	<u>1,336,126</u>	<u>(920,000)</u>	<u>266,351,811</u>
Long-term receivables and other assets				
Other student loan receivables less, current portion and allowance for loan loss	66,495,874	-	-	66,495,874
Overfunded defined benefit plan	451,892	-	-	451,892
Due from (to) other funds	20,942,464	-	-	20,942,464
Total long-term receivables and other assets	<u>87,890,230</u>	<u>-</u>	<u>-</u>	<u>87,890,230</u>
Property and equipment				
Land	364,900	-	-	364,900
Building	4,358,670	-	-	4,358,670
Furniture and equipment	2,475,870	50,420	-	2,526,290
Automobiles	70,215	-	-	70,215
Less, accumulated depreciation	(2,294,021)	(50,420)	-	(2,344,441)
Net property and equipment	<u>4,975,634</u>	<u>-</u>	<u>-</u>	<u>4,975,634</u>
Total assets	<u>\$ 358,801,549</u>	<u>\$ 1,336,126</u>	<u>\$ (920,000)</u>	<u>\$ 359,217,675</u>
Liabilities and Net Assets				
Current liabilities				
Current portion of notes payable	\$ -	\$ 920,000	\$ (920,000)	\$ -
Accounts payable	1,650,467	379,899	-	2,030,366
Deferred revenue	1,730,833	-	-	1,730,833
Accrued pension payable	287,656	-	-	287,656
Compensated absences	1,794,949	-	-	1,794,949
Due to United States Department of Education	95,271	-	-	95,271
Total current liabilities	<u>5,559,176</u>	<u>1,299,899</u>	<u>(920,000)</u>	<u>5,939,075</u>
Net assets				
Board designated for scholarships	100,000	-	-	100,000
Unrestricted	353,142,373	36,227	-	353,178,600
Total net assets	<u>353,242,373</u>	<u>36,227</u>	<u>-</u>	<u>353,278,600</u>
Total liabilities and net assets	<u>\$ 358,801,549</u>	<u>\$ 1,336,126</u>	<u>\$ (920,000)</u>	<u>\$ 359,217,675</u>

South Carolina Student Loan Corporation
Consolidated Schedule of Financial Position by Fund - Temporarily Restricted
June 30, 2015

	Teacher Loans	96 Resolution	04 Resolution	08 Resolution	2010-1 Resolution	2013-1 Resolution	Tax Exempt 09 PAL Resolution	Total Temporarily Restricted
Assets								
Current assets								
Cash and cash equivalents	\$ 20,822,038	\$ 124,121,638	\$ 8,134,730	\$ 10,466,120	\$ 29,237,718	\$ 7,394,505	\$ 32,343	\$ 200,209,092
Current portion of student loan receivables	2,262,868	94,973,404	17,910,945	38,700,156	67,394,953	31,789,890	4,348,373	257,380,589
Interest due from borrowers	2,857,742	11,123,816	2,144,050	4,309,704	10,955,952	6,473,534	389,812	38,254,610
Due from SC State Education Assistance Authority	207,559	957,448	186,563	393,432	608,357	353,559	620,060	3,326,978
Accrued investment income	26,604	4,178	326	1,503	128	265	-	33,004
Prepaid expenses	-	3,450	9,681	-	32,387	24,820	-	70,338
Due from (to) other funds	31,364	1,500	(99,913)	(98,067)	(306,385)	(127,981)	2,315	(597,167)
Total current assets	26,208,175	231,185,434	28,286,382	53,772,848	107,923,110	45,908,592	5,392,903	498,677,444
Long-term receivables and other assets								
Other student loan receivables less, current portion and allowance for loan loss	-	725,428,816	207,011,324	222,811,426	498,238,716	201,580,263	50,320,949	1,905,391,494
Teacher loans receivable - less allowance for teacher loan cancellations and current portion	27,044,864	-	-	-	-	-	-	27,044,864
Due from (to) Other Funds	-	-	-	-	(20,942,464)	-	-	(20,942,464)
Total investments and long-term receivables	27,044,864	725,428,816	207,011,324	222,811,426	477,296,252	201,580,263	50,320,949	1,911,493,894
Total assets	\$ 53,253,039	\$ 956,614,250	\$ 235,297,706	\$ 276,584,274	\$ 585,219,362	\$ 247,488,855	\$ 55,713,852	\$ 2,410,171,338
Liabilities and Net Assets								
Current liabilities								
Current portion of notes payable - finance loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,348,373	\$ 4,348,373
Current maturities of bonds payable	-	148,153,000	16,734,545	45,752,111	71,919,112	38,581,986	-	321,140,754
Interest payable	-	595,845	272,231	214,027	1,289,190	26,391	-	2,397,684
Deferred revenue	-	-	-	-	-	-	956,328	956,328
Teacher loan liability	958,240	-	-	-	-	-	-	958,240
Due to United States Department of Education	(25)	2,565,321	59,003	1,229,705	4,048,915	2,246,957	-	10,149,876
Total current liabilities	958,215	151,314,166	17,065,779	47,195,843	77,257,217	40,855,334	5,304,701	339,951,255
Noncurrent liabilities								
Bonds payable less current maturities	-	746,401,067	212,541,391	174,370,770	471,029,057	190,286,508	-	1,794,628,793
Due to SC State Education Assistance Authority	-	-	-	-	39,835,008	-	-	39,835,008
Notes payable - finance loans less, current maturities	-	-	-	-	-	-	49,872,581	49,872,581
Total noncurrent liabilities	-	746,401,067	212,541,391	174,370,770	510,864,065	190,286,508	49,872,581	1,884,336,382
Total liabilities	958,215	897,715,233	229,607,170	221,566,613	588,121,282	231,141,842	55,177,282	2,224,287,637
Net assets								
Temporarily restricted for bond indentures current debt service	-	9,423,218	1,966,662	-	-	-	-	11,389,880
Temporarily restricted for bond indentures Temporarily restricted for teacher loans	52,294,824	49,475,799	3,723,874	55,017,661	(2,901,920)	16,347,013	536,570	122,198,997
Total net assets	52,294,824	58,899,017	5,690,536	55,017,661	(2,901,920)	16,347,013	536,570	185,883,701
Total liabilities and net assets	\$ 53,253,039	\$ 956,614,250	\$ 235,297,706	\$ 276,584,274	\$ 585,219,362	\$ 247,488,855	\$ 55,713,852	\$ 2,410,171,338

South Carolina Student Loan Corporation

Consolidated Schedule of Activities By Fund - Unrestricted

For the year ended June 30, 2015

	Operating/SLC	Campus Partners	Eliminations	Total
Revenue				
Income from United States Department of Education				
student loan interest - subsidized	\$ 68,824	\$ -	\$ -	\$ 68,824
Special allowances	(395,365)	-	-	(395,365)
Student loan interest - non-subsidized	5,828,079	-	-	5,828,079
Investment income	1,933,436	772,418	-	2,705,854
Unrealized gain (loss) on investments	(1,588,774)	-	-	(1,588,774)
Late charges	35,742	-	-	35,742
Miscellaneous payments of student loans	(39)	-	-	(39)
Remittance from SC State Education Assistance				
Authority for operating cost	578,882	-	-	578,882
Servicing Fees	-	7,377,829	-	7,377,829
Other	2,397,738	12,914,523	(12,476,336)	2,835,925
Total revenue	<u>8,858,523</u>	<u>21,064,770</u>	<u>(12,476,336)</u>	<u>17,446,957</u>
Expenses				
Personnel	7,817,675	3,315,568	-	11,133,243
Contractual services	1,182,574	244,412	-	1,426,986
General operating	2,039,538	5,190,387	-	7,229,925
Loan fees	61,860	-	-	61,860
Reinsurance expense	19,317	-	-	19,317
Borrower incentives	15,943	-	-	15,943
Building rental expenses	257,326	-	-	257,326
Loan loss expense	1,140,776	-	-	1,140,776
Campus Partners valuation expense	12,476,336	-	(12,476,336)	-
Total expenses	<u>25,011,345</u>	<u>8,750,367</u>	<u>(12,476,336)</u>	<u>21,285,376</u>
Transfer between accounts				
Transfers in	211,171,198	-	-	211,171,198
Transfers out	(72,857,953)	-	-	(72,857,953)
Total transfers between accounts	<u>138,313,245</u>	<u>-</u>	<u>-</u>	<u>138,313,245</u>
Change in net assets	122,160,423	12,314,403	-	134,474,826
Net assets				
Beginning	231,081,950	(12,278,176)	-	218,803,774
Ending	<u>\$ 353,242,373</u>	<u>\$ 36,227</u>	<u>\$ -</u>	<u>\$ 353,278,600</u>

South Carolina Student Loan Corporation

Consolidated Schedule of Activities by Fund - Temporarily Restricted

For the year ended June 30, 2015

	Teacher Loans	96 Resolution	04 Resolution	08 Resolution	2010-1 Resolution	2013-1 Resolution	Tax Exempt 09 PAL Resolution	Total
Revenue								
Income from United States Department of Education								
student loan interest - subsidized	\$ 83	\$ 3,196,824	\$ 39,381	\$ 1,509,050	\$ 3,902,805	\$ 1,608,134	\$ 68,246	\$ 10,324,523
Special allowances	-	(11,841,666)	(249,191)	(6,731,714)	(20,153,565)	(11,120,315)	(265,338)	(50,361,789)
Student loan interest - non-subsidized	2,914,716	38,662,951	8,973,211	11,841,987	31,784,210	14,669,038	3,692,263	112,538,376
Late charges	61,777	753,945	193,589	367,453	526,903	232,239	56,287	2,192,193
Miscellaneous payments of student loans	(3,826)	(2,462)	(193)	(1,963)	(2,315)	(2,026)	(87)	(12,872)
Miscellaneous income	-	-	-	-	-	-	57,969	57,969
State appropriations - Department of Education	6,020,205	-	-	-	-	-	-	6,020,205
Other	112,600	75,789	4,191	22,794	1,477	3,097	-	219,948
Total revenue	<u>9,105,555</u>	<u>30,845,381</u>	<u>8,960,988</u>	<u>7,007,607</u>	<u>16,059,515</u>	<u>5,390,167</u>	<u>3,609,340</u>	<u>80,978,553</u>
Expenses								
Personnel	214,860	-	-	-	-	-	-	214,860
Contractual services	27,252	-	-	-	-	-	-	27,252
General operating	43,668	-	-	-	-	-	-	43,668
Interest on debt	-	8,048,266	6,542,525	3,175,916	9,244,843	1,766,225	-	28,777,775
TLP cancellations	4,079,611	-	-	-	-	-	-	4,079,611
Payments to SC State Education Assistance								
Authority for student loan income	-	-	-	-	-	-	3,234,864	3,234,864
Loan fees	-	6,329,190	122,030	-	2,326,546	85,513	-	8,863,279
Reinsurance expense	-	385,990	9,872	110,996	245,079	284,197	6,201	1,042,335
Borrower incentives	19,432	3,190,803	234,563	472,640	1,880,956	1,074	142,486	5,941,954
Broker dealer fees	-	98,815	153,277	32,095	88,714	44,245	-	417,146
Loan loss expense	-	-	1,302,045	-	-	-	1,025,514	2,327,559
Other	-	-	408,848	-	-	-	-	408,848
Total expenses	<u>4,384,823</u>	<u>18,053,064</u>	<u>8,773,160</u>	<u>3,791,647</u>	<u>13,786,138</u>	<u>2,181,254</u>	<u>4,409,065</u>	<u>55,379,151</u>
Transfer between accounts								
Transfers in	-	26,916	500	1,000	9,005	-	-	37,421
Transfers out	-	(130,223,347)	(1,335,941)	(1,262,773)	(3,889,728)	(1,638,877)	-	(138,350,666)
Total transfers between accounts	<u>-</u>	<u>(130,196,431)</u>	<u>(1,335,441)</u>	<u>(1,261,773)</u>	<u>(3,880,723)</u>	<u>(1,638,877)</u>	<u>-</u>	<u>(138,313,245)</u>
Change in net assets	4,720,732	(117,404,114)	(1,147,613)	1,954,187	(1,607,346)	1,570,036	(799,725)	(112,713,843)
Net assets								
Beginning	47,574,092	176,303,131	6,838,149	53,063,474	(1,294,574)	14,776,977	1,336,295	298,597,544
Ending	<u>\$ 52,294,824</u>	<u>\$ 58,899,017</u>	<u>\$ 5,690,536</u>	<u>\$ 55,017,661</u>	<u>\$ (2,901,920)</u>	<u>\$ 16,347,013</u>	<u>\$ 536,570</u>	<u>\$ 185,883,701</u>

South Carolina Student Loan Corporation
Consolidated Schedule of Cash Flows By Fund - Unrestricted
For the year ended June 30, 2015

	<u>Operating/SLC</u>	<u>Campus Partners</u>	<u>Elimination</u>	<u>Unrestricted</u>
Cash Flows from Operating Activities				
Change in net assets	\$ 122,160,423	\$ 12,314,403	\$ -	\$ 134,474,826
Adjustments to reconcile change in net assets to net cash used in operating activities				
Depreciation	366,409	4,202	-	370,611
Unrealized loss on investments	1,588,774	-	-	1,588,774
Loan Loss Expense	1,140,776	-	-	1,140,776
Changes in operating assets and liabilities				
Increase in due from SC State Education				
Assistance Authority	(120,411)	-	-	(120,411)
(Increase) decrease in interest due from borrowers	174,742	-	-	174,742
(Increase) decrease in accounts receivable	11,660,172	112,524	-	11,772,696
(Increase) decrease in accrued investment income	595,025	118,781	529,281	1,243,087
Increase in prepaid expenses	(53,894)	-	-	(53,894)
Increase (decrease) in overfunded defined benefit plan	319,050	-	-	319,050
Decrease in due to (from) other funds	100,987	-	-	100,987
Increase (decrease) in interest payable	-	(772,418)	(529,281)	(1,301,699)
Increase (decrease) in accounts payable	(275,159)	(562,598)	-	(837,757)
Increase in deferred revenue	(1,151,313)	-	-	(1,151,313)
Increase in accrued pension expense	(22,687)	-	-	(22,687)
Increase in compensated absences	(68,784)	-	-	(68,784)
Decrease in due to US Department of Education	(13,245)	-	-	(13,245)
Net cash used in operating activities	<u>136,400,865</u>	<u>11,214,894</u>	<u>-</u>	<u>147,615,759</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	(227,071)	-	-	(227,071)
Change in student loan receivables, net	1,374,646	-	-	1,374,646
Net proceeds (purchases) on investments	(112,785,629)	-	-	(112,785,629)
Net cash used in investing activities	<u>(111,638,054)</u>	<u>-</u>	<u>-</u>	<u>(111,638,054)</u>
Cash Flows from Financing Activities				
Change in financing loans, net	-	(11,576,336)	-	(11,576,336)
Net cash provided by financing activities	<u>-</u>	<u>(11,576,336)</u>	<u>-</u>	<u>(11,576,336)</u>
Net increase (decrease) in cash and cash equivalents	24,762,811	(361,442)	-	24,401,369
Cash and Cash Equivalents				
Beginning	<u>60,996,430</u>	<u>863,230</u>	<u>-</u>	<u>61,859,660</u>
Ending	<u>\$ 85,759,241</u>	<u>\$ 501,788</u>	<u>\$ -</u>	<u>\$ 86,261,029</u>
Supplemental Disclosure of Cash Flow Information				
Cash payments for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Disposal of fully depreciated property and equipment	<u>\$ 20,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,333</u>

South Carolina Student Loan Corporation

Consolidated Schedule of Cash Flows By Fund - Temporarily Restricted

For the year ended June 30, 2015

	Teacher Loans	96 Resolution	04 Resolution	08 Resolution	2010-1 Resolution	2013-1 Resolution	Tax Exempt 09 PAL Resolution	Total
Cash Flows from Operating Activities								
Change in net assets	\$ 4,720,732	\$ (117,404,114)	\$ (1,147,613)	\$ 1,954,187	\$ (1,607,346)	\$ 1,570,036	\$ (799,725)	\$ (112,713,843)
Adjustments to reconcile change in net assets to net cash provided by operating activities								
Amortization of bond discounts	-	1,076,288	-	87,098	1,101,958	-	-	2,265,344
Amortization of cost for debt issuance	-	277,495	101,586	347,168	668,123	-	-	1,394,372
Loan Loss Expense	-	-	1,302,045	-	-	-	1,025,514	2,327,559
Teacher loan cancellations	4,079,611	-	-	-	-	-	-	4,079,611
Changes in operating assets and liabilities								
(Increase) decrease in due from SC State Education Assistance Authority	(3,388)	8,713,953	(91,325)	89,071	140,973	(572)	66,956	8,915,668
(Increase) decrease in interest due from borrowers	(171,519)	353,370	572,254	650,847	1,082,302	1,524,122	46,734	4,058,110
(Increase) decrease in accrued investment income	2,657	(1,788)	(78)	(269)	-	12	-	534
Increase in prepaid expenses	-	(3,450)	1,077	-	1,576	1,525	-	728
Increase (decrease) in due to (from) other funds	(13,376)	(125)	(14,982)	(15,617)	(36,620)	(18,242)	(2,025)	(100,987)
Increase (decrease) in interest payable	-	385,647	1,157	(13,928)	(154,717)	(2,684)	-	215,475
Increase (decrease) in deferred revenue	-	-	-	-	-	-	(125,245)	(125,245)
Increase (decrease) in teacher loan liability	(25,094)	-	-	-	-	-	-	(25,094)
(Increase) decrease in due to US Department of Education	-	419,767	(5,112)	(187,616)	(472,643)	(314,497)	-	(560,101)
Net cash provided by operating activities	<u>8,589,623</u>	<u>(106,182,957)</u>	<u>719,009</u>	<u>2,910,941</u>	<u>723,606</u>	<u>2,759,700</u>	<u>212,209</u>	<u>(90,267,869)</u>
Cash Flows from Investing Activities								
Change in student loan receivables, net	-	63,374,058	16,587,341	41,645,795	71,067,801	34,361,409	5,365,241	232,401,645
Change in teacher loan receivables, net	(5,509,916)	-	-	-	-	-	-	(5,509,916)
Net cash provided by (used in) investing activities	<u>(5,509,916)</u>	<u>63,374,058</u>	<u>16,587,341</u>	<u>41,645,795</u>	<u>71,067,801</u>	<u>34,361,409</u>	<u>5,365,241</u>	<u>226,891,729</u>
Cash Flows from Financing Activities								
Change in financing loans, net	-	-	-	-	-	-	(5,579,474)	(5,579,474)
Net proceeds (payments) of bonds payable	-	146,648,316	(17,350,002)	(45,752,113)	(71,919,113)	(36,992,002)	-	(25,364,914)
Net cash provided by (used in) financing activities	<u>-</u>	<u>146,648,316</u>	<u>(17,350,002)</u>	<u>(45,752,113)</u>	<u>(71,919,113)</u>	<u>(36,992,002)</u>	<u>(5,579,474)</u>	<u>(30,944,388)</u>
Net increase (decrease) in cash and cash equivalents	<u>3,079,707</u>	<u>103,839,417</u>	<u>(43,652)</u>	<u>(1,195,377)</u>	<u>(127,706)</u>	<u>129,107</u>	<u>(2,024)</u>	<u>105,679,472</u>
Cash and Cash Equivalents								
Beginning	<u>17,742,331</u>	<u>20,282,221</u>	<u>8,178,382</u>	<u>11,661,498</u>	<u>29,365,423</u>	<u>7,265,398</u>	<u>34,367</u>	<u>94,529,620</u>
Ending	<u>\$ 20,822,038</u>	<u>\$ 124,121,638</u>	<u>\$ 8,134,730</u>	<u>\$ 10,466,121</u>	<u>\$ 29,237,717</u>	<u>\$ 7,394,505</u>	<u>\$ 32,343</u>	<u>\$ 200,209,092</u>
Supplemental disclosure of cash flow information								
Cash payments for interest	\$ -	\$ 6,308,835	\$ 6,439,782	\$ 2,755,578	\$ 7,629,479	\$ 1,689,001	\$ -	\$ 24,822,675
Disposal of fully depreciated property and equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

South Carolina Student Loan Corporation
Consolidated Schedule of Property and Equipment
For the year ended June 30, 2015

	Balance as of June 30, 2014	Additions	Disposals	Balance as of June 30, 2015
Cost				
Land	\$ 364,900	\$ -	\$ -	\$ 364,900
Total land	<u>364,900</u>	<u>-</u>	<u>-</u>	<u>364,900</u>
Building	4,358,670	-	-	4,358,670
Total buildings	<u>4,358,670</u>	<u>-</u>	<u>-</u>	<u>4,358,670</u>
Campus Partners furniture and fixtures	50,420	-	-	50,420
SCSLC furniture and fixtures	2,285,999	189,871	-	2,475,870
SCSLC automobiles	53,348	37,200	(20,333)	70,215
Cost total	<u>7,113,337</u>	<u>227,071</u>	<u>(20,333)</u>	<u>7,320,075</u>
Accumulated depreciation				
Building	284,952	111,761	-	396,713
Total buildings	<u>284,952</u>	<u>111,761</u>	<u>-</u>	<u>396,713</u>
Campus Partners furniture and fixtures	46,219	4,201	-	50,420
SCSLC furniture and fixtures	1,609,645	245,348	-	1,854,993
SCSLC automobiles	53,348	9,300	(20,333)	42,315
Accumulated depreciation total	<u>1,994,164</u>	<u>370,610</u>	<u>(20,333)</u>	<u>2,344,441</u>
Net book value	<u>\$ 5,119,173</u>	<u>\$ (143,539)</u>	<u>\$ -</u>	<u>\$ 4,975,634</u>

South Carolina Student Loan Corporation

Consolidated Schedule of Expenses

For the year ended June 30, 2015

	Operating/SLC		Teacher Loan	
	2015	2014	2015	2014
Operating expenses				
Personnel				
Staff salaries	\$ 5,492,088	\$ 5,333,537	\$ 153,767	\$ 183,648
Social security	360,142	373,482	10,141	12,335
Group insurance	610,940	641,347	14,660	20,307
Retirement	1,332,306	1,033,415	35,662	25,013
Unemployment	22,199	20,583	630	719
Total personnel	<u>7,817,675</u>	<u>7,402,364</u>	<u>214,860</u>	<u>242,022</u>
Contractual				
Loan servicing	558,602	693,430	24,015	19,654
Information technology	98,527	51,912	-	-
Legal	273,092	680,614	-	-
Accounting	178,602	154,269	3,237	3,098
Skip tracing	40,375	50,656	-	-
Credit bureau	33,376	29,645	-	-
Total contractual	<u>1,182,574</u>	<u>1,660,526</u>	<u>27,252</u>	<u>22,752</u>
General operating				
Rent	(79,282)	(91,200)	8,760	8,759
Telephone	131,680	137,131	4,158	5,799
Printing	116,386	197,143	2,386	710
Postage	721,982	735,475	19,753	23,646
Supplies	66,827	63,561	1,807	1,764
Travel	40,383	59,583	-	-
Equipment maintenance	134,152	125,793	5,304	4,991
Subscriptions and fees	59,445	51,535	-	-
Meeting and conference expenses	111,500	60,000	-	-
Insurance - general and automotive	90,609	100,753	1,500	1,528
Outreach and awareness	10,871	6,380	-	-
Contingencies	8,733	14,548	-	12
Depreciation	366,409	224,191	-	-
Third party collections	157,090	198,987	-	-
Other operating expenses	102,753	247,226	-	-
Total general operating	<u>2,039,538</u>	<u>2,131,106</u>	<u>43,668</u>	<u>47,209</u>
Total operating expenses	<u>11,039,787</u>	<u>11,193,996</u>	<u>285,780</u>	<u>311,983</u>
Capital additions				
Property, equipment, furniture and fixtures	<u>227,071</u>	<u>208,674</u>	<u>-</u>	<u>-</u>
Total operating expenses, employee benefits - related changes and capital additions	<u>\$ 11,266,858</u>	<u>\$ 11,402,670</u>	<u>\$ 285,780</u>	<u>\$ 311,983</u>

South Carolina Student Loan Corporation

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Amount of Grant</u>	<u>Expenses</u>
U.S. Department of Education Programs			
Higher Education Act Insured Loans Contract			
Federal Family Education Loan Program			
Special allowances (See #2 below)	84.032		See #2 Below
Subsidized interest	84.032		<u>\$ 10,393,347</u>
Total U.S. Department of Education Programs (Major program)			<u>\$ 10,393,347</u>

Notes - CFDA #84.032:

1. Summary of Significant Accounting Policies: This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The financial activity shown in this schedule reflects amounts recorded by the Corporation during its fiscal year July 1, 2014, through June 30, 2015.
2. Special Allowances: The U.S. Department of Education (USDE) now requires lenders to pay the USDE when lenders have negative special allowance. The Corporation paid \$50,757,154 for the year ended June 30, 2015.



**Independent Auditor's Report On Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed In Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the South Carolina Student Loan Corporation (Corporation), as of and for the year ended June 30 2015, and the related notes to the consolidated financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated September 28, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Decosimo, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
September 28, 2015



**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited South Carolina Student Loan Corporation's (the "Corporation") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Corporation's major federal programs for the year ended June 30, 2015. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive style with a long, sweeping underline.

Columbia, South Carolina
September 28, 2015

South Carolina Student Loan Corporation

Summary of Findings and Questioned Costs

Year Ended June 30, 2015

1. Summary of Auditor's Results

Financial Statements

Type of report issued on financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None identified
Significant deficiency(ies) identified	None identified
Noncompliance material to financial statements noted?	None reported

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	None identified
Significant deficiency(ies) identified	None identified
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	None

Identification of major programs:

U.S. Department of Education	<u>CFDA#</u>	<u>Expenditure</u>
Higher Education Act Insured Loan Program		
Federal Family Education Loan Program		
Subsidized interest	84.032	\$ 10,393,347
Dollar threshold used to distinguish between Type A and Type B programs		\$ 311,800

South Carolina Student Loan Corporation qualifies as a low risk auditee under paragraph .530 OMB 133	No
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2. Financial Statement Findings

None reported

3. Findings and Questioned Costs for Federal Awards

None reported

South Carolina Student Loan Corporation

Summary of Prior Year Audit Findings

Year Ended June 30, 2015

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

South Carolina Student Loan Corporation***Schedule of Corrective Action Plan******Year Ended June 30, 2015***

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