

Alaska Student Loan Corporation

November 4, 2021

**ALASKA STUDENT LOAN CORPORATION
BOARD MEETING**

[Zoom link](#)

Meeting #: 943 8236 9624

Password: ASLC

Teleconference: (888) 788-0099; Code: 943 8236 9624#

AGENDA

Thursday, November 4, 2021

1. 1:30 p.m. Convene/Roll Call
- 2.* Adoption of Agenda
 - *Suggested Motion: Move to adopt the agenda of the November 04, 2021 Corporation meeting.*
3. Ethics Disclosure Relative to Adopted Agenda
- 4.* Approval of Meeting Minutes from May 13, 2021 and October 12, 2021
 - *Suggested Motion: Move approval of the meeting minutes from the May 13, 2021 and October 12, 2021 Corporation meetings.*
5. 1:35 p.m. Public Testimony: Individuals 3-minute limit
Group Representative 5-minute limit
6. 1:40 p.m. Executive Officer Report – Executive Director Sana Efird
7. 1:50 p.m. Chief Finance Officer Report – Chief Finance Officer Julie Pierce
- 8.* 2:00 p.m. Presentation on Financial Statements – Chief Finance Officer Julie Pierce, CPA, and Karen Tarver, CPA, Partner, Elgee Rehfeld, LLC
 - *Suggested Motion: Move to accept the annual Financial Statements of the Alaska Student Loan Corporation for the year ending June 30, 2021.*
- 9.* 2:30 p.m. Dividend Recommendation – Chief Finance Officer Julie Pierce
 - *Suggested Motion: In accordance with AS 14.42.295 and the Corporation's income before return of capital loss for the year ending June 30, 2021, move the Corporation not declare a 2023 dividend.*

***Action Required – motion, second, and roll call vote**

ALASKA STUDENT LOAN CORPORATION

- 10.* Discuss Proposed 2022 Future Meeting Dates
- Thursday, February 10, 2022 at 1:30pm
 - Thursday, May 12, 2022 at 1:30pm
 - Thursday, November 03, 2022 at 1:30pm
 - *Suggested Motion: Move to set future Corporation meetings as listed on the November 04, 2021 meeting agenda.*
- 11.* 3:00 p.m. Adjournment
- *Suggested Motion: Move the Corporation adjourn the November 04, 2021 meeting.*

***Action Required – motion, second, and roll call vote**

**MEETING MINUTES OF THE
ALASKA STUDENT LOAN CORPORATION BOARD
May 13, 2021**

A meeting of the Board of Directors of the Alaska Student Loan Corporation (ASLC), conducted via distance delivery, originated from the offices of the Corporation at 3030 Vintage Boulevard, Juneau, Alaska on Thursday, May 13, 2021. Chair MacKinnon called the meeting to order at approximately 1:30 p.m.

ROLL CALL

Members of the board present for all or portions of the meeting: Anna MacKinnon, Amy Demboski, Barbara Adams, Dave Donley, and Donn Liston.

Staff present for all or portions of the meeting: Sana Efird, Executive Officer; Julie Pierce, CPA, Chief Finance Officer; Kerry Thomas, Director of Program Operations; Jamie Oliphant, Director of Information Support Services; Susan Sonneborn, Assistant Attorney General; and Joseph Felkl, Executive Secretary.

Presenters in attendance: Lee Donner, Regional Managing Director and Tim Webb, Director for Hilltop Securities Inc.; Zachary Hanna, Chief Investment Officer for the Alaska Department of Revenue; and Blake Wade, Bond Counsel, Gilmore & Bell.

ADOPTION OF AGENDA

Vice Chair Liston moved to adopt the agenda of the May 13, 2021, board meeting. Ms. Demboski seconded the motion. There being no objection, the motion carried by unanimous consent.

ETHICS DISCLOSURE

Relative to the adopted agenda, no potential violations were disclosed by board members.

ELECTION OF OFFICERS

Ms. Demboski nominated Ms. MacKinnon to the office of Chair. There being no objection, nominations were closed. By roll call vote, all members present voted aye. The motion carried.

Ms. Demboski nominated Mr. Liston to the office of Vice Chair. There being no objection, nominations were closed. By roll call vote, all members present voted aye. The motion carried.

APPROVAL OF MINUTES

Vice Chair Liston moved to approve the minutes of the March 11, 2021, board meeting. Ms. Demboski seconded the motion. By roll call vote, all members present voted aye. The motion carried.

PUBLIC COMMENT

Chair MacKinnon opened the public comment period to accept public testimony. Ms. Malan Paquette provided public testimony. There being no other members of the public wishing to speak, Chair MacKinnon closed the public comment period.

INVESTMENT POLICY

Ms. Pierce referenced her written memorandum starting on page 13 of the packet. Staff finalized the loan portfolio modeling process and incorporated a comprehensive 10-year financial forecast. Staff provided the Alaska Department of Revenue (DOR) with the cash flow forecast to inform the development of investment policy recommendations. Staff and DOR have met to review policy, discuss long-term target risk tolerance in consideration of cash flow forecast, discuss timing of policy changes in consideration of annual capital market assumption cycle to develop policy in the most informed manner, and discuss next steps. Next steps include working with DOR on the administrative logistics of setting up asset management at a similar level of risk, transitioning our portfolio to DOR's Treasury Division, and developing investment policy recommendations and a migration plan to introduce additional risk into the portfolio over time in accordance with revised policy. Once those steps are complete, staff will work with the chair of the subcommittee to schedule a meeting to review policy and finalize recommendations for the next full board meeting or make a determination of a need to hold an additional special purpose meeting. Staff recommends deferring action on the Investment Policy until it is finalized and presented for approval at a future board meeting.

Discussion: Chair MacKinnon asked about the normal timeframe for reviewing the investment policy in the past. Ms. Pierce replied the policy is normally reviewed annually in November, but in the past, a lot of time was not put into policy development. With the consideration of significant changes to the investment policy involved in this review, Ms. Pierce wanted the recommendations to be supported by more valid and detailed loan portfolio forecasts to be included in a comprehensive cash flow forecast. That is why this process has taken longer than normal. Additionally, the process for developing a cash flow forecast has taken a few years in the past. Lee Donner from Hilltop Securities commented that the process for modeling the Corporation's various loan portfolios was exhaustive and more thorough than previous reviews. In the past, the primary driver for reviewing the policy was the terms and provisions within various financing structures, but with the redemption of the bonds, there are no outstanding financings that restrict the policy. Zach Hanna summarized DOR's presentation provided to the Corporation's subcommittee back in January.

Vice Chair Liston moved to defer action on the Alaska Student Loan Corporation Investment Policy until finalized and presented to the board for approval at a future board meeting. Ms. Demboski seconded the motion. By roll call vote, all members present voted aye. The motion carried.

UPDATE ON REDEEMING 2013A NOTES

Ms. Pierce referenced her written report starting on page 15 of the meeting packet. The Consent Solicitation Statement to redeem the 2013A notes at 100% of par, plus a revised consent fee at 20 basis points, commenced with a solicitation period that ended today. The Corporation

received consent from the majority of bondholders as required. Staff believes that the components of the Net Present Value (NPV) benefit analysis produced by the Corporation's Financial Advisor has not changed in any material way. Redeeming the Notes at 100% of par, plus a 0.20% consent fee, will still result in a net PV gain, have a positive financial impact and be in the best interests of the Corporation. Ms. Pierce recommended approval of the redemption of the 2013A Notes.

Discussion: Mr. Donner commented that Hilltop agreed redeeming the notes would still have a positive financial impact. None of the basic assumptions in the NPV calculation has changed in any significant manner. The calculation shows a benefit of roughly one million dollars; that does not include the 21% consent fee or the transactional costs. The level of consent received is 98.3%, and the consent fee is roughly \$61,000. Mr. Donner added the result of the Corporation's consent solicitation is very similar to other issuers' that are also trying to redeem their bonds early.

Vice Chair Liston moved the Alaska Student Loan Corporation Board approve the redemption of the 2013A notes at a price of 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption, payment of a 0.20% consent fee to consenting bondholders, and authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by this motion. Mr. Donley seconded the motion. By roll call vote, all members present voted aye. The motion carried.

ADOPTION OF VARIABLE INTEREST RATES

Ms. Pierce reviewed her memorandum on page 51 of the packet. Pursuant to AS 14.42.215 and 20 AAC 14.050, the Corporation sets the annual interest rate for variable rate Alaska Supplemental Education Loans (ASEL) each year based on "the bond equivalent rate of the 91-day U.S. Treasury bills auctioned at the final auction held before May 1 of the loan year plus up to 2.8 percent." Staff recommend setting the interest rate for variable rate ASEL loans be set at 2.70% during the in-school period and applicable grace and deferment periods and at 2.80% during the repayment period and applicable forbearance periods.

Discussion: Dr. Adams asked if determining the rate based on the 91-day U.S. Treasury bills auction is the standard practice. Ms. Piece replied the Corporation uses that index rate to set the variable interest rates because it is required by statute. She clarified the Corporation no longer offers these variable rate loans. The Corporation still has variable rate loans outstanding, and the rate on those loans needs to be set annually.

Ms. Demboski moved approval of variable interest rates for variable rate ASEL loans as recommended by staff. Vice Chair Liston seconded the motion. By roll call vote, all members present voted aye. The motion carried.

RESOLUTION TO SUPPORT SB 94 & HB 114

Vice Chair Liston moved to approve the Resolution to Support [Senate Bill 94](#) and [House Bill 114](#), "An Act relating to the education loan program and Alaska supplemental education loan program; and providing for an effective date." Ms. Demboski seconded the motion. By roll call vote, all members present voted aye. The motion carried.

ADOPTION OF AMENDED 2021 AND PROPOSED 2022 MEETING SCHEDULE

Ms. Demboski moved to adopt the amended 2021 and proposed 2022 meeting schedule of the Alaska Student Loan Corporation as recommended by staff. Vice Chair Liston seconded the motion. By roll call vote, all members present voted aye. The motion carried.

2022 Meeting Schedule

- **Thursday, February 10, 2022 at 1:30-2:30 pm**
- **Thursday, May 12, 2022 at 1:30-2:30 pm**
- **Thursday, November 3, 2022 at 1:30-2:30 pm**

ADJOURN

Ms. Demboski moved to adjourn. Vice Chair Liston seconded the motion. By roll call vote, all members present voted aye. There being no objection, and no further business to discuss, the motion carried.

The meeting adjourned at approximately 2:50 p.m.

Approved by:

Anna MacKinnon, Chair

Date

**MEETING MINUTES OF THE
ALASKA STUDENT LOAN CORPORATION BOARD
October 12, 2021**

A meeting of the Board of Directors of the Alaska Student Loan Corporation (ASLC), conducted via distance delivery, originated from the offices of the Corporation at 3030 Vintage Boulevard, Juneau, Alaska on Tuesday, October 12, 2021. Chair MacKinnon called the meeting to order at approximately 1:30 p.m.

ROLL CALL

Members of the board present for all or portions of the meeting: Anna MacKinnon, Barbara Adamss, Dave Donley, Donn Liston, and Micaela Fowler.

Staff present for all or portions of the meeting: Sana Efird, Executive Officer; Julie Pierce, CPA, Chief Finance Officer; Kerry Thomas, Director of Program Operations; Jamie Oliphant, Director of Information Support Services; Susan Sonneborn, Assistant Attorney General; and Kordel Thompson, Executive Secretary.

Guests/Presenters in attendance: Lee Donner, Regional Managing Director and Tim Webb, Director for Hilltop Securities Inc.; and Zachary Hanna, Chief Investment Officer (CIO) for the Alaska Department of Revenue (DOR).

ADOPTION OF AGENDA

Vice Chair Liston moved to adopt the agenda of the October 12, 2021, board meeting. Ms. Fowler seconded the motion. By roll call vote, all members present voted aye. The motion carried.

PUBLIC COMMENT

Chair MacKinnon opened the public comment period to accept public testimony. Ms. Malan Paquette provided public testimony. There being no other members of the public wishing to speak, Chair MacKinnon closed the public comment period.

INVESTMENT POLICY

Ms. Pierce reminded the board how ASLC has been working with Hilltop Securities over the past year to model loan portfolio projections to incorporate in Corporation wide financial projections. She also explained that they have been working with the Department of Revenue (DOR) portfolio management to develop the revised investment policy that was to the primary topic of discussion at the meeting to be reviewed and considered for adoption. She thanked CIO Hannah, Regional Director Donner and Director Webb for their work and for being available to answer questions and provide context to the discussion. She then handed the meeting over to CIO Hannah to present DOR's findings and proposed investment policy, the adoption of which was supported by ASLC staff. CIO Hannah gave a brief overview of the Treasury Division and Office of Portfolio Management, as well as explaining asset allocation and investment policy. He noted in his presentation that ASLC's current investment policy falls within the moderate risk tolerance

category, as defined by DOR. He went on to briefly discuss a few of the different options and ways ASLC could go, as well as providing some context and explanation for the areas and options being discussed. He then advised that his office was ultimately recommending a high-risk tolerance posture, and gave the following reasons for why they had reached that conclusion:

- ASLC has a long time-horizon with low investment liquidity needs.
- Assets are projected to grow and become increasingly cash-flow positive
- Our current portfolio will not provide enough earnings to breakeven from a P&L perspective.
 - We need to at least double earnings to minimally breakeven over the long term.
- ASLC seeks a minimum return to cover operational expenses & provide downside loan protection.
 - A target return of 4.1% is needed to cover potential loan losses of \$3 million/yr.
- Future ASLC programs could benefit from inflation protection and growing assets.
- ASLC should be able to tolerate short-to-mid-term loses for the potential of long-term returns.
- ASLC has the time horizon, investment objectives, and other attributes consistent with adopting a high-risk tolerance.

Chair MacKinnon explained for the record that the purpose of the current longstanding investment policy was to preserve assets. However, recent years have seen net operating losses and increases in borrowing costs for students, which could be partially offset these costs by adopting a new investment policy focused on growing our long-term fiscal assets. CFO Pierce added that a driver of reviewing and updating the policy was asset liability management, as future financial cash flow forecasts reflected that loans would continue to decline and investment balances would continue to increase. CFO Pierce and CIO Hannah are therefore recommending that ASLC adopt an investment policy wherein the corporation slowly takes on more risk over time via asset allocation, with the goal of increased growth and revenue. This new investment policy would then be reviewed on an annual basis.

Discussion: Deputy Commissioner Donley asked CIO Hannah during the asset allocation explanation to clarify his statement on market returns, as he appeared to indicate they were going up but also going down, which would seem to be a contradiction. CIO Hannah explained that current market growth and high returns were due in part to pandemic stimulus efforts pulling those strong returns out of forward expectations, and the subsequent projection is that forward GDP growth will likely be lower as a consequence. Deputy Commissioner Donley followed up with the understanding that the stimulus was meant to ultimately return the market to normal, and that the PFD Corporation was bringing in strong returns well before the pandemic and stimulus. CIO Hannah addressed this by explaining that, while falling interest rates allows for strong equity & bond returns, as interest rates approach zero returns will start to decrease at some point; therefore, forward expectations are that returns will be lower in the future. Deputy Commissioner Donley asked what the impact of potential increases in inflation would be on the forward expectations. CIO Hannah advised that ASLC's current allocation of ~100% bonds & cash assets is very exposed to potential inflation. He went on to state that other asset classes used for state funds can provide some measure of inflation protection, including Real Estate Investment Trusts (REITs) and Inflation Protected Securities (TIPS). Dr. Adamss asked about the timeline for increasing risk, to which CIO Hannah answered they are recommending increasing risk over a 2.5-3 year period to slowly move up to a high risk posture, about half a market cycle. She also asked why \$3 million was used as the potential downside amount, to which CFO Pierce explained it was based on both the average loan losses of

previous years and projected worst-case scenario of estimated loss going forward. Deputy Commissioner, Donley commented that he saw the corporation's current stance as being very conservative and low risk, not moderate as described in CIO Hannah's report - a point which most other members echoed at various point throughout the discussion. CIO Hannah explained that description was based on Department of Revenue's internal definitions and guidelines, and was not reflective of the personal opinion of either himself or CFO Pierce. Deputy Commissioner Donley expressed reticence to commit fully to moving from what he considered a low risk stance to a high one, an opinion shared later on by Deputy Commissioner Fowler and Chair MacKinnon. Chair MacKinnon expressed that she did not believe adopting a more aggressive investment policy was the only solution to resolve recent years' budget shortfalls, and encourages the Commission to pursue strategic planning and review current programs and make cuts where appropriate in pursuit of lowering student loan costs. ASLC can help by trying to increase revenue through a change in investments, but the Commission in turn must look at continuing to decrease expenses. Another option would be to continue to increase interest rates, but that increases the financial burden of Alaskan students and families, as well as reducing the appeal and demand for ACPE student loans. Executive Director Efird responded by saying that Commission staff are continuing to look at ways to reduce expenses and increase revenue, such as the current loan servicing outsourcing project and initiatives for default, as well as efforts and plans underway to improve marketing. Chair MacKinnon advised board members that they do not need to adopt the recommendation as is and could decide to make changes before approving it. Deputy Commissioner Donley commented that he agreed there was room for a more middle ground approach, and offered the success of the PFD Corporation and what they're doing as an example. He preferred to start with approving a gradual increase to a more intermediate risk stance, and then reassessing once they have reached that level before committing to continue to a high-risk stance. CIO Hannah proffered that the make-up of the PFD Corporations investment could technically be considered as higher risk than what is being recommended here. Dr. Adamss expressed that she agreed the current stance was overly conservative, and that she agreed with the perspective of needing to grow the corporation's assets to support the future of our borrowers. She expresses appreciation for the efforts ACPE has been making to cut costs, and that she was not sure how services could continue with additional cuts to staff. She indicated she was comfortable with pursuing the recommended action over a three-year period. Vice Chair Liston expressed that the fact the corporation is losing money means they need to increase the potential for gaining income, and agreed with Dr. Adamss that he was comfortable with the recommendation to increase over a three-year period, noting that DOR has been managing many other funds successfully. Deputy Commissioner Fowler commented that she appreciated the need to move towards a higher risk tolerance and more aggressive portfolio management, but felt that the recommended action was a little too much too soon. She commented that trying to do too much too quickly may result in a gut reaction to pull back at the first sign of trouble, and so suggested to take a slower, more phased approach over a longer period. Chair MacKinnon and Executive Director Efird asked Regional Managing Director Lee Donner of Hilltop Securities to weigh in. Mr. Donner agreed that ASLC has historically had a very conservative investment policy, due in part to most of corporation's monies being tied up in trusts and indentures as well as being driven by the criteria of rating agencies. With that money freed up, there is now an opportunity to take on more risk and to improve our return. He went on to advise that the commission and corporation needs to continue to strive to bring down internal costs and optimize the income from cash resources in order to make our student loans as competitive as possible. Executive Director Efird commented that CIO Hannah the current recommendation was already slightly lower and more conservative than what was originally suggested by CIO Hannah and the Office of Portfolio Management, and are looking for alternative funding sources for areas such as servicing the Alaska Performance Scholarship and

Alaska Education Grant. CFO Pierce expressed that the recommendation is being driven by the metrics. After much deliberation and continued discussion regarding the opinions listed above, the board decided to move forward with an amended recommendation to commit to a revised, moderate risk increase over a two-year period.

Dr. Adams moved to adopt the recommended Alaska Student Loan Corporation Investment Policy. Vice Chair Liston seconded the motion. After discussion of the motion, Deputy Commissioner Fowler moved to amend the motion by changing the items in Appendix A to adopt a more moderate risk tolerance to be fully implemented by FY2024. Vice Chair Liston seconded the amendment. By roll call vote, all members present voted aye to amend the motion to adopt. The motion to amend carried. In a second roll call vote, all members present voted aye to adopt the amended Investment Policy. The motion carried as amended.

Future Meeting Schedule

- Thursday, November 4, 2021 at 1:30-3:00 pm
- Thursday, February 10, 2022 at 1:30-2:30 pm
- Thursday, May 12, 2022 at 1:30-2:30 pm
- Thursday, November 3, 2022 at 1:30-2:30 pm

ADJOURN

Vice Chair Liston moved to adjourn. Dr. Adamss seconded the motion. By roll call vote, all members present voted aye. There being no objection, and no further business to discuss, the motion carried.

The meeting adjourned at approximately 4:30 p.m.

Approved by:

Anna MacKinnon, Chair

Date



Alaska Commission on Postsecondary Education

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MEMORANDUM

TO: Board Members, Alaska Student Loan Corporation
FROM: Sana Efird, Executive Officer
DATE: October 27, 2021
SUBJECT: Executive Officer Report

During this quarter, the Executive Director's Office has focused on issues with distribution of the Alaska Performance Scholarship (APS), the Alaska Education Grant (AEG), and the WWAMI contract agreement and advocating to find a permanent solution, worked closely with Julie Pierce and Department of Revenue on investment policy updates and recommendation, worked with staff to complete the Institutional Authorization regulations project, monitored COVID mitigation, managed Juneau lease changes, met regularly with staff on outsourcing and other projects, and attended numerous meetings and conferences.

Budget Update:

On August 25, Governor Dunleavy directed ACPE to distribute the APS, AEG, and WWAMI payments for FY22. This decision came after the Department of Law and the Office of Management and Budget determined the appropriations made in the FY22 budget were enacted prior to the sweep of funds into the Constitutional Budget Reserve. (See memo from Attorney General Treg Taylor attached.) However, the Legislature has not reversed the sweep of the Higher Education Investment Funds (HEIF). Therefore, there are currently no funds designated for HEIF moving forward. A permanent solution to the uncertainty of Alaska's financial aid higher education programs must be developed.

We are in the budget preparation and proposal process for the FY23 budget. Chief Finance Officer Julie Pierce and I met with the Office of Management and Budget and the Governor's Office to present ACPE's FY23 budget proposal. This information is confidential and deliberative until the Governor releases his budget in December.

Outsourcing Projects Update:

Staff continue to be immersed in the loan servicing and loan origination outsourcing projects. After careful review and consideration of the project timelines, management determined an extension of the timelines was necessary to ensure the best outcomes for the project and to relieve pressure on staff. The cutover date for loan originations to CampusDoor has been moved

to April 1, 2022, and conversion to American Education Services (AES) for loan servicing will be October 1, 2022.

With the continued effort needed on our outsourcing projects, the addition of new high priority projects, reductions in staffing, additional Legislative special sessions and continued uncertainty around the budget and funding for the APS, AEG, and WWAMI, this has been another stressful and busy quarter for ACPE staff. I am continually amazed at the dedication our staff exhibits to meeting the needs of our customers and constituents. I want to acknowledge and commend their efforts.

As always, it is my pleasure and I am humbled to serve the Corporation and lead the talented team of ACPE staff to support Alaskans and their access to higher education opportunities.



Memorandum

To: Alaska Student Loan Corporation Board Members
Thru: Sana Efird, Executive Officer
From: Julie Pierce, Chief Finance Officer
Date: November 4, 2021
Re: Chief Finance Officer Report

Bonds Payable

As approved by the Board, the 2013A notes were redeemed at the end of June.

A summary of the cost of redemption is as follows:

Alaska Student Loan Corporation			
2013A Noteholder Consent Solicitation Cost Summary			
Expense	Est. Cost	Actual Cost	Variance
Information Agent Fee (Setup) - DF King	17,500	18,552	(1,052)
Solicitation Agent Fee - RBC Capital Markets	94,611	125,000	(30,389)
Issuer Counsel - Gilmore Bell	45,000	42,000	3,000
Financial Advisor - Hilltop Securities	40,000	40,000	-
Trustee - USBank	-	4,653	(4,653)
Misc Expenses	-	5,200	(5,200)
Est. COI for Consent Solicitation	197,111	235,405	(38,294)
Redemption Premium and Fee			
Redemption Premium (2013A)	429,212	61,102	368,110
Total COI plus Coconsent Premiums and Fees	626,323	296,506	329,817

LIBOR Issue:

As previously reported to the Board, LIBOR was expected to cease to exist at the end of 2021 with an extension of the official termination date for key tenors of LIBOR until the end of June 2023.

LIBOR exposure for ASLC includes special allowance payment (SAP) rates which are calculated quarterly, by the Department of Education (DOE), based on the quarter's daily average one-month LIBOR, plus a predetermined factor that varies according to loan type, disbursement date, loan status, and not-for-profit eligibility of the lender less the loan's applicable interest rate.

- **Update:** Action necessary to address this issue or change the SAP benchmark rate will need to take place at the Federal level. ASLC staff are continuing to monitor this issue and will inform the Board of the financial impact when it has been fully determined.

If you have any questions or wish to discuss this information further, please do not hesitate to contact me at 907-465-6757 or julie.pierce@alaska.gov.



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Alaska Student Loan Corporation

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To: Alaska Student Loan Corporation Members
Thru: Sana Efird, Executive Officer
From: Julie Pierce, Chief Finance Officer
Date: November 4, 2021
Re: Annual Financial Reports

The Alaska Student Loan Corporation's (Corporation) annual financial reports for the year ended June 30, 2021 have been finalized.

Reports included herein:

Management's Discussion and Analysis and Financial Statements (Financial Statements);
Expenditures of Federal Awards Reports; and,
Letter to the Board.

Management's Discussion and Analysis and Financial Statements

The Statements of Revenues, Expenses and Changes in Net Position are on page 11 of the Financial Statements. These statements reflect the Corporation's loss of \$3.5 million and \$3.6 million for the years ended June 30, 2021 and 2020, respectively.

Following is a brief summary of the significant items that contributed to the loss for fiscal year 2021.

The loss is the difference between revenue and expense for the year. Operating revenue consists primarily of interest on education loans, loan-related provisions and earnings on investments. Total operating revenue was \$6.1 for fiscal year 2021, a \$1.0 million decrease from \$7.1 million for fiscal year 2020.

Interest on loans declined approximately \$2.2 million to \$9.7 million from \$11.9 million, due to a \$22.7 million decrease in loan portfolio balances. The yield on the education loan portfolio was 5.4% in fiscal year 2021 compared to 5.9% in fiscal year 2020.

The provision represents the change in allowance for estimated loan principal and interest losses as well as the change in estimated principal and interest to forgive on loan losses. The overall provision decreased by \$4.1 million to \$3.9 million from \$8.0 million. This decrease was primarily due to a change in the method for calculating estimated allowance for loan loss. The change in method applies loan

loss rates to the outstanding principal balance of loan portfolio cohorts not meeting specific non-performance criteria, as well as a higher loss rate applied to all loans meeting specific non-performance criteria. The provision decreased due to a decrease in the principal balance of loans not meeting specific non-performance criteria, offset with an increase in balances of loans meeting specific non-performance criteria.

Investment income decreased \$2.8 million in fiscal year 2021 when compared to fiscal year 2020. The decrease is due mostly to a lower rate of return associated with the asset allocation. The investment portfolio balance decreased approximately \$16.0 million, or 15.6%, between years. The average return on the portfolio decreased to 0.2% in fiscal year 2021 from 3.2% in fiscal year 2020.

Operating expense, comprised of both interest on debt and administrative costs, decreased approximately \$1.0 million in fiscal year 2021 compared to fiscal year 2020.

Interest expense decreased \$0.5 million primarily due to a decrease in outstanding debt.

Administrative costs decreased approximately \$0.5 million or 5.4% in fiscal year 2021.

The Alaska Commission on Postsecondary Education (ACPE) originates loans for the Corporation and services the Corporation's loan portfolio so the majority of administrative costs reported on the Corporation's financial statements represent reimbursements to ACPE. The decrease in administrative costs was primarily due to a decrease in personal service costs associated with the implementation of outsourcing and technical efficiencies resulting in continued elimination of vacant PCN's.

The Statements of Net Position reflecting asset, liability and net position balances, at June 30 is on pages 9, 10 and 11, respectively.

Current assets are those available and reasonably expected to be used to pay current liabilities or cover the cost of operations in the next fiscal year. The decrease in total assets is due to the decrease in loans receivable.

Loan principal repayments continue to be greater than originations and capitalized interest, a trend expected to occur for several years. This trend is resulting in an increase in the investment portfolio that is offsetting, but not surpassing, the decrease in the loan portfolio.

Current liabilities are those expected to be satisfied in the next fiscal year. The decrease in both current and noncurrent liabilities is due to the decline in bonds payable. The Corporation redeemed Bonds payable in fiscal year 2021 and there were no new bonds issued.

Unrestricted net position increased and restricted net position decreased in fiscal year 2021 because net asset balances were reclassified from restricted to unrestricted when Bonds Payable were redeemed. The decrease in total net position is attributable to the negative change in net position.

Expenditures of Federal Awards Reports

The second report enclosed is required by the Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance). The federal award subject to the Uniform Guidance is the federal guarantee of the Corporation's Federal Family Education Loan (FFELP) portfolio. Page 6 of the report outlines information relative to the Corporation's federally guaranteed loan portfolio.

Beginning loan balance represents the Corporation's federally guaranteed loan portfolio balance at the beginning of the fiscal year.

Special allowance is received from and excess interest is paid to the federal government depending on the relationship between a prescribed market index and the yield on federal loans as well as when the loans were disbursed. Loans disbursed before April 1, 2006, are not subject to excess interest payments. In fiscal year 2021, the yield on federal loans subject to excess interest payments was higher than the market index, so the Corporation made "excess" interest payments to the federal government. This has been the situation since fiscal year 2009.

Federal interest benefits represent subsidized interest the federal government paid the Corporation for borrowers of federally subsidized loans.

The net paid to the federal government (\$1.3 million in fiscal 2021) is recorded as a reduction in interest on loans on the Corporation's Statements of Revenue, Expense, and Changes in Net Position.

The bottom of page 7 reflects the amount of claim payments received (\$2.2 million) on non-performing federal loans in fiscal year 2021 as well as the amount of the Corporation's federal loans (\$33.6 million) guaranteed by the federal government.

Letter to the Board

This letter is a required communication between the external auditor and the board. It is designed to communicate information about the auditor's responsibilities under generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, as well as information related to the scope and timing of the audit.

If you have any questions or wish to discuss any of these reports, please do not hesitate to give me a call at 907-465-6757 or send me an email at julie.pierce@alaska.gov.

Thank you

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis and
Financial Statements

June 30, 2021 and 2020

Together with Independent Auditor's Report

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

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ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Alaska Student Loan Corporation's (Corporation) history, financial position at, and financial performance for, the fiscal years ended June 30, 2021 and 2020 is being presented to assist readers in understanding the Corporation's structure, activities and significant financial issues.

This information is required supplementary information and should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes, all of which follow.

History

The State of Alaska (State) established its first loan program for undergraduate students studying at an accredited institution in 1968. The program was funded directly by the State and administered by the State's then-named Department of Education. This activity was considered a primary government function and financial reporting was included in the governmental fund section of the State's annual comprehensive financial report.

The Alaska Commission on Postsecondary Education (Commission) was created in 1974 to be the coordinating agency for postsecondary education, to administer student financial aid programs, to coordinate and plan for postsecondary education in the State, as well as to authorize and regulate postsecondary education institutions in Alaska. The education loan programs administered by the Commission were funded by the State. The Commission resides within the Department of Education and Early Development for budgetary purposes but is not subject to the direction of the Commissioner of Education and Early Development or the State Board of Education. The Commission's activity is considered a primary government function and financial activity is included in the governmental fund section of the State's annual comprehensive financial report.

The Corporation was created in 1987 as a public corporation and governmental instrumentality within the Department of Education and Early Development with a legal existence independent of and separate from the State. Therefore, the Corporation is not a part of the State's primary government. The financial activity related to the Corporation is reported as a discretely presented component unit in the State's annual comprehensive financial report.

The Corporation was created to raise alternative financing for education loans through the issuance of debt. The Corporation's goal is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. By statute the Corporation has one employee, the Executive Officer. The employees of the Commission serve as staff for the Corporation. In 1987, the Corporation entered into an agreement with the Commission for administrative services related to its loan programs. In April of 1988, the assets and liabilities of the State's existing education loan programs were transferred to the Corporation effective December 1987.

The Corporation cannot be terminated as long as it has debt outstanding. Upon termination, the Corporation's rights and property pass to the State.

Under contract with the Corporation, the Commission awards and originates the Corporation's education loans and services the Corporation's education loan portfolio. Additional information is available at acpe.alaska.gov. The Corporation funds the Commission's expenditures that relate to loan program administration.

ALASKA STUDENT LOAN CORPORATION
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The loan program includes various Federal Family Education Loan Program (FFELP) loans (Federal loans) governed by the Higher Education Act (HEA) and State Education loans (State loans) governed by State statutes. Loans are both fixed and variable rate loans.

The loan program was structured to provide eligible borrowers with low-cost financial aid options. Students are encouraged to maximize their grant and lowest cost loan options prior to tapping into alternative sources.

Program Highlights

- The Corporation continues to hold and administer its FFELP portfolio. Loans in that portfolio are guaranteed by Ascendium Education Solutions, Inc.
- The Corporation continues to originate State loans as well as administer its State loan portfolio. State loans are not supported by collateral nor are they guaranteed.
- The loan portfolio is changing because Federal loans are no longer being originated. At June 30, 2021, the Corporation's gross loan portfolio was 80 percent State loans and 20 percent Federal loans.
- At June 30, 2020, loans were pledged to one indenture (restricted) or held by the Corporation free and clear (non-pledged). Bonds payable were redeemed in fiscal year 2021 and there were no loans pledged to an indenture (restricted) at June 30, 2021.
- State loans were made to borrowers meeting FICO score requirements of at least 650, implemented on all Alaska Supplemental Education Loans first disbursed on or after July 1, 2009. Refinance borrowers must also meet minimum FICO score requirements.
- All State Consolidation Loans were made subject to credit criteria which included good repayment histories on the underlying loans for the eighteen months preceding consolidation or a FICO score of at least 680.
- Credit-ready loans disbursed on or after July 1, 1998 and before July 1, 2009 were made to borrowers with no adverse credit history.

ALASKA STUDENT LOAN CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

- Financing education loans

The Corporation last issued bonds, for the purpose of financing new education loans, in June 2007. From July 2007 through 2011, the Corporation used non-pledged loan payments and proceeds from a State loan to finance education loans. Since 2011, loan originations have been funded with non-pledged loan receipts.

- Loan Volume

Annual loan volume decreased 32% and decreased 31% in fiscal years 2021 and 2020, respectively. Absent significant increases in operating costs or material changes in the loan program, the Corporation anticipates continuing to meet loan demand with non-pledged loan payments for the next several years. When non-pledged loan payments are no longer sufficient, the Corporation anticipates issuing debt to meet loan demand.

- Loan portfolio reports are available at acpe.alaska.gov/about_us/Investor/Investor_Relations.

Overview of the Financial Statements

The Corporation's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method of accounting, the same method used by private sector businesses, revenues are recognized when earned and expenses when incurred. The basic financial statements of the Corporation are as follows:

Statement of Net Position – This statement presents information regarding the Corporation's assets, liabilities and net position at a point in time. Net position represents the total amount of assets less the total amount of liabilities. This statement reflects the Corporation's financial health at the end of the year. Over time, changes in net position serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

Assets and liabilities are classified as current or noncurrent on the Statements of Net Position. Current assets are those available and reasonably expected to be used to pay current liabilities or cover the cost of operations in the next fiscal year. Current liabilities are those expected to be due in the next fiscal year. Assets and net position are further classified as either restricted or unrestricted. The restricted classification is used when constraints are imposed by external sources or enabling legislation. Restricted assets are classified as noncurrent unless the restriction is short-lived (less than a year).

Statement of Revenues, Expenses, and Changes in Net Position – This statement measures the activities of the Corporation's operations over the past year and presents the change in net position for the year. This statement can be used to determine whether the Corporation has successfully recovered its costs through education loan and investment income.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Cash Flows – This statement provides information about the sources and uses of the Corporation's cash and the change in the cash balance during the fiscal year.

Notes to Financial Statements – This section provides information that is essential to a full understanding of the basic financial statements described above.

Financial Analysis

- The Corporation's total assets at June 30, 2021, and 2020, were \$214, and \$253 million, respectively. The change in assets from fiscal year 2020 to 2021 was a decrease of \$39 million or 15%.
- The Corporation's net education loans receivable were \$121, and \$144 million, at June 30, 2021, and 2020, respectively. These balances represent a decrease in fiscal year 2021 of \$23 million or 16%.
- The Corporation had no long term debt at June 30, 2021. The Corporation's long term debt at June 30, 2020, was \$36 million.
- The assets of the Corporation exceed its liabilities (reported as net position) at the close of fiscal year 2021, and 2020 by \$212, and \$216 million, respectively. These balances represent a decrease in fiscal year 2021 of \$4 million or 2%.
- The Corporation's operating revenue was \$6, and \$7 million, at June 30, 2021, and 2020, respectively. These balances represent a decrease in fiscal year 2021 of \$1 million or 14%.
- The Corporation's operating interest expense was \$0.3, and \$1.0 million, during fiscal years 2021, and 2020, respectively. These balances represent a decrease of \$0.7 million in fiscal year 2021.
- The Corporation's operating administration expense was \$9, and \$10 million during fiscal years 2021, and 2020, respectively. These balances represent a decrease of \$1 million in fiscal year 2021.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)
MANAGEMENT'S DISCUSSION AND ANALYSIS

- The following condensed financial information reflects changes during the fiscal year:

Statement of Net Position (in thousands)				
	2021	2020	\$ Change	% Change
Assets:				
Current	\$ 31,866	25,926	5,940	23
Noncurrent	182,413	227,306	(44,893)	(20)
Total assets	\$ 214,279	253,232	(38,953)	(15)
Liabilities:				
Current	\$ 1,947	9,108	(7,161)	(79)
Noncurrent	-	28,257	(28,257)	(100)
Total liabilities	1,947	37,365	(35,418)	(95)
Net position:				
Unrestricted	212,332	209,248	3,084	1
Restricted	-	6,619	(6,619)	(100)
Total net position	212,332	215,867	(3,535)	(2)
Total liabilities and net position	\$ 214,279	253,232	(38,953)	(15)

The fiscal year 2021 increase in current assets was due to an increase in current receivable on loans associated with the FFELP loan portfolio. Prior to the redemption of Bonds Payable in fiscal year 2021, pledged FFELP loan balances, and the associated interest receivable balances, were classified as noncurrent assets. Loan balances classified as current are those expected to be paid in the next twelve months. Net interest receivable on loans overall is declining due to the decline in the loan portfolio for the last several years. Investment balances classified as current are those expected to be consumed in the next twelve months. There were no investment balances classified as current as of June 30, 2021 or 2020.

The fiscal year 2021 decrease in noncurrent assets was due to the decrease in noncurrent loans receivable and noncurrent investments. The decrease in loans receivable is the result of loan payments continuing to exceed loan originations. The decrease in noncurrent investments is primarily due to the redemption of Bonds Payable in fiscal year 2021. Current and noncurrent liabilities decreased in fiscal year 2021 due to the redemption in bonds payable. The Corporation has not issued bonds for loan originations since 2007. Unrestricted net position increased in fiscal year 2021 because net asset balances were reclassified from restricted assets to unrestricted assets when Bonds Payable were redeemed at the end of fiscal year 2021. Overall net position decreased in fiscal year 2021 because expenditures exceeded revenue.

ALASKA STUDENT LOAN CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Statements of Revenue, Expenses and Changes in Net Position (in thousands)

	2021	2020	\$ Change	% Change
Operating revenue	\$ 6,115	7,126	(1,011)	(14)
Operating expense	(9,650)	(10,688)	1,038	(10)
Return of capital	-	-	-	-
Change in net position	(3,535)	(3,562)	27	(1)
Net position - beginning	215,867	219,429	(3,562)	(2)
Net position - ending	\$ 212,332	215,867	(3,535)	(2)

Operating revenue represents interest on education loans, loan-related provisions, earnings on investments and other revenue. Interest on education loans continues to decline due to the decline in the loan portfolio. The gross education loan portfolio decreased 11% in fiscal year 2021. The return on loans was 4.7%, and 4.9% for fiscal years 2021 and 2020, respectively. The provision represents the current year change in estimated principal losses and interest losses on that principal. The provisions change as performance of the portfolio changes. The investment portfolio balance decreased in fiscal year 2021 and increased in fiscal year 2020. The return on investments, prior to recording change in the arbitrage rebate receivable, was 0.2%, and 3.2% in fiscal years 2021 and 2020, respectively.

Operating expense represents interest on debt, as well as administrative expenses. In fiscal year 2021 and 2020, administrative expense decreased due to a decline in personnel service costs associated with planned reductions in employee positions from outsourcing servicing of a portion of the loan portfolio. The Corporation's outstanding debt was variable rate debt; therefore, interest expense decreased due to the decreasing rate environment in fiscal year 2020 and 2021, and decreased due to a declining balance that was fully redeemed at the end of fiscal year 2021.

Rate Discounts

Borrower benefits are intended to lower borrowers' interest costs. Rate discounts awarded in fiscal years 2021, and 2020 resulted in forgone interest on loans of approximately \$233, and \$300, respectively. The impact of these discounts is recorded as a reduction to interest on loans. Information related to borrower benefits can be found at acpe.alaska.gov/myrate.

Contacting the Corporation

This financial report is designed to provide borrowers, investors, creditors and other readers with a general overview of the Corporation's finances. If you have questions about this report or need additional financial information, contact the Corporation at (907) 465-6740.

Partners

Elgee Rehfeld

Alaska's CPA Firm

Janelle Anderson, CPA
 Ryan Beason, CPA
 Sarah Griffith, CPA
 Mark Mesdag, CPA
 Adam Sycks, CPA
 Karen Tarver, CPA

Founders: George Elgee, CPA & Robert Rehfeld, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
 Alaska Student Loan Corporation
 Juneau, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the Alaska Student Loan Corporation, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Alaska Student Loan Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the Alaska Student Loan Corporation, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of the Alaska Student Loan Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely 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 effectiveness of 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 Alaska Student Loan Corporation's internal control over financial reporting and compliance.

Elgee Rehfeld

September 30, 2021

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Net Position

June 30, 2021 and 2020

(in thousands)

	2021	2020
Assets:		
Current assets:		
Cash (note 3)	\$ 902	684
Other	94	170
Interest receivable on investments	162	480
Interest receivable on loans	2,308	944
Loans receivable (note 4)	28,400	22,591
Restricted:		
Investments (note 3)	-	1,012
Other	-	45
Total current assets	31,866	25,926
Noncurrent assets:		
Interest receivable on loans, net (note 5)	3,081	2,934
Loans receivable, net (notes 4 and 5)	92,887	81,233
Investments (note 3)	86,445	101,429
Restricted:		
Interest receivable on loans, net (note 5)	-	1,536
Loans receivable, net (notes 4 and 5)	-	40,174
Total noncurrent assets	182,413	227,306
Total assets	\$ 214,279	253,232

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Net Position

June 30, 2021 and 2020

(in thousands)

	2021	2020
Liabilities and Net Position:		
Liabilities:		
Current:		
Payable from unrestricted assets:		
Due to State of Alaska	\$ 1,380	1,170
Due to U.S. Dept. of Education (note 7)	297	-
Accounts payable	270	46
Payables from restricted assets:		
Due to U.S. Dept. of Education (note 7)	-	333
Accounts payable	-	3
Bonds payable (note 6)	-	7,556
Total current liabilities	1,947	9,108
Noncurrent - payable from restricted assets:		
Bonds payable (note 6)	-	28,257
Total liabilities	1,947	37,365
Net position:		
Unrestricted (note 2)	212,332	209,248
Restricted	-	6,619
Total net position	212,332	215,867
Total liabilities and net position	\$ 214,279	253,232

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2021 and 2020

(in thousands)

	<u>2021</u>	<u>2020</u>
Operating revenue:		
Interest on loans, net (note 2)	\$ 9,731	11,913
Provision (note 5)	(3,935)	(7,968)
Investment income, net (note 2)	319	3,081
Other	<u>-</u>	<u>100</u>
Total operating revenue	<u>6,115</u>	<u>7,126</u>
Operating expense:		
Interest	388	902
Administration	<u>9,262</u>	<u>9,786</u>
Total operating expense	<u>9,650</u>	<u>10,688</u>
Change in net position	(3,535)	(3,562)
Total net position - beginning	<u>215,867</u>	<u>219,429</u>
Total net position - ending	<u>\$ 212,332</u>	<u>215,867</u>

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Cash Flows
Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
Cash flows from operating activities:		
Principal payments received on loans	\$ 30,120	33,419
Interest received on loans	5,524	7,454
Other receipts	28	99
Loans originated	(7,030)	(10,371)
Administration	(8,856)	(9,960)
Net cash provided by operating activities	19,786	20,641
Cash flows from noncapital financing activities:		
Interest paid on debt	(216)	(861)
Principal paid on debt	(35,985)	(7,781)
Net cash used for noncapital financing activities	(36,201)	(8,642)
Cash flows from capital activities:		
Return of capital payments	-	-
Net cash used for capital activities	-	-
Cash flows from investing activities:		
Income received on investments	2,108	2,249
Investments matured or sold	238,135	141,176
Investments purchased	(223,610)	(155,417)
Net cash provided by (used for) investing activities	16,633	(11,992)
Net increase in cash	218	7
Cash at beginning of period	684	677
Cash at end of period	\$ 902	684

See accompanying Notes to Financial Statements.

(continued)

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Cash Flows
Years Ended June 30, 2021 and 2020
(in thousands)

	<u>2021</u>	<u>2020</u>
Reconciliation of change in net position to cash flows from operating activities:		
Change in net position	\$ <u>(3,535)</u>	<u>(3,562)</u>
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Provision	3,935	7,968
Income received on investments	(2,108)	(2,250)
Unrealized (gain) loss on investments	1,471	(1,068)
Interest paid on debt	216	861
Amortization of debt discount	172	41
Change in assets and liabilities:		
Decrease in other assets	121	9
Decrease in interest receivable on investments	318	8
Increase in interest receivable on loans	(1,481)	(1,660)
Decrease in loans receivable	20,282	20,065
(Decrease) increase in due to U.S. Dept. of Education	(36)	185
Increase (decrease) in net due to State of Alaska	210	(167)
Increase in accounts payable	221	229
Decrease in net yield restriction/arbitrage rebate payable	<u>-</u>	<u>(18)</u>
Total adjustments	<u>23,321</u>	<u>24,203</u>
Net cash provided by operating activities	<u>\$ 19,786</u>	<u>20,641</u>

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

Notes to Financial Statements

(1) Authorizing Legislation and Organization

The Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska (State), was created in 1987 by an act of the State Legislature (Legislature). The purpose of the Corporation is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. The Corporation is authorized, with certain limitations, to issue debt necessary to carry out its purpose. The Corporation is governed by a Board of Directors (Board) appointed by the State Governor.

The Corporation contracts with the Alaska Commission on Postsecondary Education (Commission) to service its loan portfolio and to provide staff for the Corporation. The Commission, a part of the State's general government, is responsible for staff costs; therefore, the Corporation has no pension disclosure.

(2) Summary of Significant Accounting Policies***(a) Fund Accounting***

The financial activities of the Corporation, which are restricted by the Corporation's debt instruments, are recorded in various funds as necessitated by sound fiscal management. The funds are combined for financial statement purposes and there are no significant interfund transactions. The Corporation is considered an enterprise type proprietary fund for financial reporting purposes with revenues recognized when earned and expenses when incurred.

(b) Fiscal Year

The Corporation's fiscal year begins July 1 and ends June 30, consistent with the State's fiscal year.

(c) Operating Revenue and Expense

The Corporation was created with the authority to issue debt in order to finance education loans to qualified borrowers. Operating revenue is derived from interest on education loans and earnings on investments. Operating revenue is offset by the loan and interest related provisions. The cost of financing and servicing education loans is considered operating activity.

(d) Management Estimates

To prepare financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts. Actual amounts could differ from estimates. The significant accounting and reporting estimates applied in the preparation of the accompanying financial statements are discussed below.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(e) Loans

Loans represent education loans which include Supplemental Education, Alternative Consolidation, Refinanced (REFI), Teacher Education (TEL), Family Education (FEL), (collectively referred to as State loans), federally guaranteed Stafford (subsidized and unsubsidized), PLUS, and Consolidation (subsidized and unsubsidized) loans (collectively referred to as Federal loans). Loan terms vary depending on year of origination and type.

(f) Interest on Loans

Interest on loans is accrued when earned at fixed and variable rates ranging from 1.83% to 9.00%.

Non-interest bearing loans were approximately \$219 and \$335 at June 30, 2021 and 2020, respectively.

The impact of borrower benefits awarded to eligible borrowers is recorded as a reduction in interest on loans.

The change in the yield restriction payable, if any, is recorded as an adjustment to interest on loans.

(g) Allowances and Provision

The allowances represent management's estimate, based on experience, of loans and related accrued interest that will ultimately be uncollectible or forgiven. The Corporation writes off State loans upon death, total disability, bankruptcy discharge, or when payment activity is no longer anticipated. The Corporation writes off the portion of Federal loan balances not guaranteed and deemed uncollectible. Accrued unpaid interest is written off when the related loan is written off. A borrower of a TEL can obtain up to 100% forgiveness of loan principal and interest if the borrower teaches in rural Alaska for periods specified by the program.

The provision is the annual change in the allowances.

(h) Note Discount

The Corporation uses the effective method of amortization to amortize the note discount over the life of the note. The effective method matches amortization with interest expense, maintaining a constant effective rate of interest over the life of the note.

ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)**(i) Income Taxes**

The Corporation, as a governmental instrumentality, is exempt from Federal and State income taxes.

(j) Investments and Investment Income

The Corporation invests in the State's internally managed General Fund and Other Non-segregated Investments Pool (GeFONSI). GeFONSI consists of investments in the State's internally managed Short-term, Short-term Liquidity and Intermediate-term Fixed Income Pools. Additional information with regard to the GeFONSI can be found in Treasury's *Invested Assets Under the Investment Authority of the Commissioner of Revenue's Independent Auditors' Report* (GeFONSI Report) at treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx.

The Corporation also invests in specific securities and money market funds. Money market funds maintain a share price of \$1 and are reported at amortized cost. The Corporation's shares in money market funds fluctuate daily with contributions and withdrawals. Investments in specific securities are reported at fair value.

The change in the arbitrage rebate receivable, if any, is recorded as an adjustment to investment income.

(k) Due to State of Alaska

Amounts due to the State of Alaska represent the net difference between amounts held by the Corporation on behalf of the State, amounts paid by the Corporation on behalf of the Commission and amounts paid by the Commission on behalf of the Corporation.

(l) Unrestricted Net Position

Unrestricted net position represents net assets not pledged as collateral to secure payment of debt.

(m) Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation.

ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments**(a) Cash**

- (1) Cash summarized by classification at June 30 follows:

	<u>2021</u>	<u>2020</u>
Current, unrestricted	\$ <u>902</u>	<u>684</u>

(2) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. The Corporation has not established a custodial credit risk policy for its deposits.

At June 30, 2021, the Corporation had \$29 cash exposed to custodial credit risk.

(b) Investments

- (1) The fair value at June 30, of the Corporation's investments, by classification, follows:

	<u>2021</u>	<u>2020</u>
Current:		
Restricted	\$ -	1,012
Noncurrent:		
Unrestricted	<u>86,445</u>	<u>101,429</u>
Total	\$ <u>86,445</u>	<u>102,441</u>

(2) Investment Policies

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested.

Restricted funds are invested according to the terms outlined in trust documents which generally mandate the purchase of relatively short-term, high quality fixed income securities. Trust documents are accessible at acpe.alaska.gov/financial_statements_Trust_documents.

Unrestricted funds may be invested in the various fixed-income pools managed by Treasury. Investments in Treasury's fixed-income investment pools are made in accordance with the State's General Investment Policy. These investments represent an ownership share of the

ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

Notes to Financial Statements

pool's securities rather than ownership of specific securities. A complete description of the State's investment policy is at treasury.dor.alaska.gov/investments.

Unrestricted funds not managed by Treasury are managed by an external investment manager in compliance with the Corporation's investment policy which allows investments in:

- Direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and also unconditionally guaranteed as to the timely payment of principal and interest by the U.S.
- Bonds, notes or other evidences of indebtedness rated no lower than current credit ratings on U.S. Treasury obligations and issued by federal agencies and instrumentalities of the United States which do not represent the full faith and credit of the U.S.
- Bonds, notes or other evidences of indebtedness rated "A" or better and issued by domestic municipalities.
- Corporate bonds and convertible securities rated "A" or better.
- Fixed income money or mutual funds if rated, rated "AAA", and if not rated, underlying holdings must be rated "AAA".

The highest rating of a nationally recognized rating agency is the rating used to determine compliance with this policy.

A complete description of the ASLC investment policy & procedure is at https://acpe.alaska.gov/Investor_Relations

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)

(b) Investments

(3) Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Corporation mitigates its credit risk by limiting investments to those permitted in the investment policy and diversifying the investment portfolio.

The fair value of the Corporation's investments by type and credit quality, using a nationally recognized statistical rating organization without modifiers, at June 30 are shown below:

<u>Investment Type</u>	<u>Ratings</u>	<u>2021</u>	<u>2020</u>
Mortgage-backed securities (agencies)	AAA	\$ 20,124	500
Money market funds	AAA	5,217	9,427
Certificates of deposit (FDIC insured)	Not rated	-	1,257
Corporate bonds	AAA	-	3,197
Corporate bonds	AA	4,655	21,324
Corporate bonds	A	8,060	32,147
GeFONSI	Not rated	3,239	10,266
U.S. Treasury notes	AAA	45,150	23,075
U.S. Treasury bills	Not rated	-	1,248
Total		<u>\$ 86,445</u>	<u>102,441</u>

The Corporation's ownership share of the GeFONSI was 0.13% and 0.66% at June 30, 2021 and 2020, respectively.

Credit risk information relative to investments in the GeFONSI can be found in the GeFONSI Report.

ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)*(b) Investments***(4) Concentration Risk**

Concentration risk is the risk of loss attributed to the magnitude of investments in a single investment provider.

At June 30, 2021, the Corporation had investment balances greater than five percent of the Corporation's total investments with the following investment providers:

	<u>Fair Value</u>	<u>Percent of Total Investments</u>
Federal Home Loan Mortgage Corp.	\$ 10,943	13%
U.S. Treasury	45,149	52%

Concentration risk information relative to investments in the GeFONSI can be found in the GeFONSI Report.

(5) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation mitigates interest rate risk by structuring maturities to meet cash requirements.

Duration

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a portfolio is the average fair value weighted duration of each security in the portfolio taking into account all related cash flows.

The Corporation's investment manager uses industry-standard analytical software developed by CMS Bond Edge to calculate duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the duration calculation.

ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments (cont.)***(b) Investments*****(5) Interest Rate Risk**

At June 30, 2021, the weighted average modified duration of investments, other than investments in money market funds and the GeFONSI, follows:

U.S. Treasury	1.81
Mortgage backed securities (agency)	2.10
Corporate bonds	0.29
Portfolio modified duration	1.87

The Corporation has not established an interest rate risk policy for such investments.

Interest rate risk information relative to the Corporation's investment in the GeFONSI can be found in the GeFONSI Report.

(6) Fair Value Measurements

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value. Level 1 inputs are quoted prices in active markets for identical assets. Mortgage backed securities, Certificates of Deposit and U.S. Treasury holdings are valued using level 1 inputs. Level 2 inputs are significant other observable inputs. Corporate bonds are valued using level 2 inputs. Market and industry inputs include, benchmark yields, yield to maturity data, prepayment speeds, corporate action adjustments, reported trade data, etc.

Fair value measurements relative to investments in the GeFONSI can be found in the GeFONSI Report.

(c) Other

Unrestricted cash and unrestricted investments specifically designated for financing education loans include \$1,175 and \$1,103 at June 30, 2021 and 2020, respectively.

ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

Notes to Financial Statements

(4) Loans Receivable

(a) The loan portfolio summarized by classification at June 30 follows:

	<u>2021</u>	<u>2020</u>
State loans:		
Current, unrestricted	\$ 19,463	22,591
Noncurrent:		
Unrestricted	116,304	127,599
Total, gross State loans	<u>135,767</u>	<u>150,190</u>
Federal loans:		
Current, unrestricted	8,937	-
Noncurrent:		
Unrestricted	<u>24,706</u>	<u>40,546</u>
Total, gross loans	<u>169,410</u>	<u>190,736</u>
Allowance for doubtful loans	47,933	46,534
Allowance for principal forgiveness	<u>190</u>	<u>204</u>
Total allowance	<u>48,123</u>	<u>46,738</u>
Total, net loans	<u>\$ 121,287</u>	<u>143,998</u>
Current, unrestricted	\$ 28,400	22,591
Noncurrent:		
Unrestricted	92,887	81,233
Restricted	<u>-</u>	<u>40,174</u>
Total, net loans	<u>\$ 121,287</u>	<u>143,998</u>

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

(4) Loans receivable (cont.)

(b) The loan portfolio summarized by program at June 30 follows:

	<u>2021</u>	<u>2020</u>
State Education Loans		
Supplemental	\$ 104,400	113,988
Consolidation	9,292	11,580
Refinanced	17,610	19,670
Teacher Education	2,376	2,765
Family Education	<u>2,089</u>	<u>2,187</u>
Total State Loans	<u>135,767</u>	<u>150,190</u>
Federal Family Education Loans		
Stafford	27,224	32,663
Consolidation	5,681	6,932
PLUS	<u>738</u>	<u>951</u>
Total Federal Loans	<u>33,643</u>	<u>40,546</u>
Total, gross loans	<u>\$ 169,410</u>	<u>190,736</u>

(c) The loan portfolio summarized by status at June 30 follows:

	<u>2021</u>		<u>2020</u>	
	<u>State</u>	<u>Federal</u>	<u>State</u>	<u>Federal</u>
Enrollment	\$ 11,228	117	13,665	161
Grace	4,914	85	4,018	87
Repayment	109,754	26,520	115,688	29,607
Deferment	6,770	3,059	9,287	3,353
Forbearance	<u>3,101</u>	<u>3,862</u>	<u>7,532</u>	<u>7,338</u>
Total	<u>\$ 135,767</u>	<u>33,643</u>	<u>150,190</u>	<u>40,546</u>

(d) Loans awarded not disbursed at June 30 follows:

	<u>2021</u>	<u>2020</u>
State Education Loans		
Supplemental	\$ 693	925
Refinanced	478	132
Family Education	<u>4</u>	<u>46</u>
Total State Loans	<u>\$ 1,175</u>	<u>1,103</u>

ALASKA STUDENT LOAN CORPORATION

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Notes to Financial Statements

(5) Allowances and Provision

A summary of activity in the allowances at June 30 follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of period	\$ 61,287	57,822
Provision	3,935	7,968
Balances charged off	<u>(1,200)</u>	<u>(4,503)</u>
Balance, end of period	<u>\$ 64,022</u>	<u>61,287</u>
	<u>2021</u>	<u>2020</u>
Allowance for:		
doubtful loans	\$ 47,933	46,534
principal forgiveness	190	204
doubtful interest	15,877	14,533
interest forgiveness	<u>22</u>	<u>16</u>
Total	<u>\$ 64,022</u>	<u>61,287</u>

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

(6) Bonds Payable

(a) Bonds payable at June 30 follows:

	<u>Type</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>	
			<u>2021</u>	<u>2020</u>
2013 Trust Indenture, Education Loan Revenue, Refunding Note, Series 2013, due 2031	Variable	<u>144,730</u>	<u>-</u>	<u>35,924</u>
Total Bonds/Note Payable		<u>\$ 144,730</u>	<u>-</u>	<u>35,924</u>
Unamortized discount net			<u>-</u>	<u>(111)</u>
Net Debt Payable			<u>\$ -</u>	<u>35,813</u>
Current			<u>-</u>	<u>7,556</u>
Noncurrent			<u>-</u>	<u>28,257</u>
Total			<u>\$ -</u>	<u>35,813</u>
Debt Payable, beginning of period			<u>\$ 35,924</u>	<u>43,705</u>
Retired			<u>(35,924)</u>	<u>(7,781)</u>
Debt Payable, end of period			<u>\$ -</u>	<u>35,924</u>

(b) The 2013 Refunding Note bore interest at a rate equal to the one-month London Interbank Offered Rate (LIBOR) plus 50 basis points. There is no maximum rate. The rate at June 30, 2020 was 0.68%. The 2013 Note was redeemed during fiscal year 2021 and the Corporation does not have any outstanding long term debt.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

(6) Bonds Payable (cont.)

- (c) The 2013 Refunding Note was issued at a discount which was being amortized using the effective method. The effective rate was 60 basis points over LIBOR.

- (d) The Master Indenture represented a limited obligation trust which secured payment for the 2013 Refunding Note. Note holder interest earnings were taxable. Principal and interest were paid monthly from assets pledged as collateral to the respective indenture which included cash, investments and loans (restricted assets). The debt did not constitute a general obligation of the Corporation or of the State. The indentures contained covenants relative to restrictions on additional indebtedness and provisions that, in the event of default, provided the Trustee with the authority to declare the entire principal amount of the debt, including accrued interest, due and payable. The Trustee would also have had the authority to sell or otherwise dispose of pledged assets to protect the rights of debt owners. The debt was private activity revenue debt.

(7) Federal Family Education Loan Program

Ascendium Education Solutions, Inc., is the guarantor for the Corporation's FFELP portfolio.

As a holder of Federal loans, the Corporation receives claim, special allowance and interest subsidy payments and pays excess interest and rebate fees on federally guaranteed loans as specified in the Higher Education Act (HEA).

Claim payments are received from the guarantor when a borrower dies, becomes totally and permanently disabled, or defaults on a Federal loan. The Corporation is eligible for these payments provided compliance with servicing requirements outlined in the HEA. Failure to fulfill the requirements may result in an interest penalty or loss of guarantee. In the case of a default claim, unpaid principal and interest are guaranteed at 98% if the loan was first originated prior to July 1, 2006, and 97% if the loan was first originated after June 30, 2006. Claims as a result of a borrower's death or becoming totally and permanently disabled are guaranteed at 100%.

Special allowance payment rates are calculated quarterly, by the Department, based on the quarter's daily average one-month LIBOR, plus a predetermined factor that varies according to loan type, disbursement date, loan status, and not-for-profit eligibility of the lender less the loan's applicable interest rate. When the calculated rate is positive, special allowance payments are received from the Department; when the calculated rate is negative, the Corporation pays excess interest to the Department on loans first disbursed after April 1, 2006.

Interest subsidies are received quarterly from the Department on behalf of qualified subsidized Stafford or subsidized Consolidation loan borrowers during enrollment, grace, deferment and eligible income-based repayment periods.

ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

Notes to Financial Statements

(7) Federal Family Education Loan Program (cont.)

A rebate fee, equal to 0.09% of the unpaid principal and interest on consolidation loans, is paid monthly to the Department.

(8) Commitments and Contingencies***(a) Operations***

The Corporation will fund approximately \$9,937 and \$234 of the Commission's fiscal year 2022 and 2021 operating budgets, respectively, for loan servicing and staff support. The Corporation's and the Commission's budgets are subject to review and approval from both the executive and legislative branches of the State. The Commission's costs funded by the Corporation are based on expenditures incurred by the Commission.

(b) Return of Capital

State statutes indicate that the Board may elect to pay the State a return of contributed capital or dividend based on net income. If the Board elects to pay a dividend, the amount may not be less than 10%, or greater than 35%, of the Corporation's net income when it equals or exceeds \$2,000 for the Base Fiscal Year. The Base Fiscal Year is defined as the fiscal year ending two years before the end of the fiscal year in which the payment is made.

Net income (change in net position) in fiscal year 2020 and 2019 did not exceed \$2,000; therefore, no capital will be returned to the State in fiscal year 2022 and 2021.

As an additional means of returning capital, the Corporation issued bonds to finance State capital projects. No bonds have been issued since 2005 for this purpose. The Corporation reimburses the State for expenditures related to projects funded with Corporation capital project bond proceeds. At June 30, 2020 all capital project bond proceeds had been used to reimburse the State for funded capital project costs.

(c) State Permanent Fund Dividend Garnishment

The Alaska Permanent Fund (Permanent Fund), established in the State Constitution in 1976, is held and managed by the State. The State deposits a percentage of oil and gas royalties into the Permanent Fund. By statute, the State pays a portion of the earnings of the Permanent Fund annually to individuals who apply and meet certain residency requirements, provided that sufficient funds are available for payment. Permanent Fund Dividend (PFD) payments could be eliminated or reduced by an amendment to State statutes. The Commission may garnish a borrower's PFD payment, if any, to satisfy the balance of a defaulted loan pursuant to State statutes. The Commission has garnishment priority over all other executors except State child

ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

Notes to Financial Statements

support enforcement and any court ordered restitution. There is no assurance that any particular borrower will apply or qualify for a PFD payment

(8) Commitments and Contingencies (cont.)

PFD garnishments were approximately \$905 and \$1,835 for the years ended June 30, 2021 and 2020, respectively.

(d) Legislation

The Corporation's State education loan programs have been the subject of legislative action by the State legislature. The laws governing the programs have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the Corporation's State programs cannot be determined.

(e) LIBOR

Loans in the Corporation's Federal portfolio are subject to excess interest provisions when certain conditions are met. During 2021, both the special allowance payment rate and the 2013 Refunding Note rate were indexed to one-month LIBOR. As a result of global reference rate reform, certain tenors of LIBOR are expected to cease to exist in its current form by December 31, 2021. Management is evaluating the impact of this reference rate on the Corporation's financial statements before the effective date; the impact of which has not been fully determined.

(f) COVID-19

The COVID-19 outbreak in the United States has affected economic activity and resulted in business disruption which is expected to continue to impact the Corporation's operations and results, though such impact is not fully known.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Expenditures of Federal Awards Reports

Year Ended June 30, 2021

Partners

Janelle Anderson, CPA
 Ryan Beason, CPA
 Sarah Griffith, CPA
 Mark Mesdag, CPA
 Adam Sycks, CPA
 Karen Tarver, CPA



Elgee Rehfeld

Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

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

The Board of Directors
 Alaska Student Loan Corporation

We have audited, 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, the financial statements of the Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an

opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Elgee Rehfeld

September 30, 2021

Partners

Elgee Rehfeld

Alaska's CPA Firm

Janelle Anderson, CPA
 Ryan Beason, CPA
 Sarah Griffith, CPA
 Mark Mesdag, CPA
 Adam Sycks, CPA
 Karen Tarver, CPA

Founders: George Elgee, CPA & Robert Rehfeld, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Directors
 Alaska Student Loan Corporation

Report on Compliance for Each Major Federal Program

We have audited the Alaska Student Loan Corporation's (the Corporation's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2021. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

As permitted by U.S. Office of Management and Budget's, 2021 Compliance Supplement for the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L program, Other Information - , Use of Third Party Servicers section, we did not audit the Corporation's compliance with the following compliance requirements applicable to the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L: Special Tests and Provisions (Complete Loan Records; Interest Benefits; Special Allowance Payments; Loan Sales; Purchases, and Transfers; Enrollment Reports; Payment Processing; Due Diligence by Lenders in the Collection of Delinquent Loans; Timely Claim Filings by Lenders or Servicers; Curing Due-Diligence and Timely Filing Violations). Also, we excluded Reporting from the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L. Third party servicer Pennsylvania Higher Education Assistance Agency (PHEAA) performed these compliance requirements for the Corporation and has obtained an attestation examination performed under the *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* (January 2011), issued by the U.S. Department of Education. PHEAA's attestation examination covered the period of July 1, 2019 through June 30, 2020, and they have entered into agreement for an attestation examination for the period of July 1, 2020 through June 30, 2021 to be performed under the *Lender Servicer Financial Statement Audit and Compliance Attestation Guide* (September 2020). Our report does not include the results of the other accountant's examination of the third-party servicers compliance with such requirements.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*

Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements, audited by us, and referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Corporation, a component unit of the State of Alaska, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements. We issued our report thereon dated September 30, 2021, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Elgee Rehfeld

September 30, 2021

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

<u>Federal Grantor/Program Title</u>	<u>Federal Assistance Listing Number (ALN)</u>	<u>Federal Expenditures</u>
U.S. Department of Education Direct Programs:		
Federal Family Education Loan Program		
Beginning loan balance (guaranteed)	84.032L	\$ 40,545,612
Special allowance	84.032L	22,581
Less: excess interest	84.032L	(1,390,767)
Federal interest benefits	84.032L	<u>92,787</u>
		<u>\$ 39,270,213</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Alaska Student Loan Corporation (Corporation).

Federal awards to the Corporation, received directly from federal agencies, as well as federal awards passed through other governmental agencies, if any, are included in the schedule. The Corporation did not pass through any federal awards to other entities. Federal awards for special allowances and interest benefits are presented in Interest on loans in the Corporation's Statements of Revenue, Expenses and Changes in Net Position.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The 10-percent de minimis indirect cost rate allowed under the Uniform Guidance is not applicable to the federal award programs of the Corporation.

Loan Programs

The Corporation participates in the federally guaranteed Stafford (subsidized and unsubsidized), PLUS and Consolidation (subsidized and unsubsidized) loan programs. The following table provides loan guarantees outstanding at June 30, 2021, as well as claim payments received during the fiscal year ended June 30, 2021.

<u>Program Title</u>	<u>ALN</u>	<u>Guarantees Outstanding</u>	<u>Claim Payments</u>
Federal Family Education Loan Program (FFELP)	84.032L	\$ 33,642,262	\$ 2,232,817

Subrecipients

The Corporation does not award any federal funds as sub-awards to other organizations.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Type of auditor's report issued on compliance for the major federal program*: Unmodified

Internal control over major federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Major federal program:

<u>ALN</u>	<u>Name</u>
84.032L	Federal Family Education Loan Program (FFELP) – Lenders

The dollar threshold used to distinguish between Type A and Type B programs is \$1,178,106.

Auditee qualified as a low-risk auditee? Yes No

* For compliance requirements audited by us.

FINDINGS – FINANCIAL STATEMENT AUDIT

No matters reported.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

No matters reported.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Summary Schedule of Prior Year Findings

Year Ended June 30, 2021

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings for the year ended June 30, 2020.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs for the year ended June 30, 2020.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Letter to the Board

September 30, 2021

Partners

Janelle Anderson, CPA
 Ryan Beason, CPA
 Sarah Griffith, CPA
 Mark Mesdag, CPA
 Adam Sycks, CPA
 Karen Tarver, CPA



Elgee Rehfeld

Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

September 30, 2021

The Board of Directors
 Alaska Student Loan Corporation
 Juneau, Alaska

We have audited the financial statements of the Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska, as of and for the year ended June 30, 2021, and have issued our report thereon dated September 30, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 10, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Corporation is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimates of the allowance for doubtful loans and related interest.

Management's estimate of the allowance for doubtful loans and related interest are based on experience and represent the estimate of loans that will ultimately be uncollectible or forgiven. Management also charges off the portion of the federal loan balances not guaranteed and deemed uncollectible. We evaluated the key factors and assumptions used to develop the estimates of the allowance for doubtful loans and related interest and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate, and communicate to the appropriate level of management:

- All known and likely misstatements identified during the audit, other than those that we believe are trivial.

- All material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- The effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

No such misstatements were identified.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the attached letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Corporation's auditors.

This report is intended solely for the use of the State of Alaska, the Board of Directors and management of Alaska Student Loan Corporation, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Elgee Rehfeld



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Alaska Student Loan Corporation

FINANCE OFFICE

P.O. Box 110505
Juneau, Alaska 99811-0505
Phone: 907.465.6740
Toll Free: 800.441.2962
Fax: 907.465.3293
acpe.alaska.gov

September 30, 2021

Elgee Rehfeld, LLC

Certified Public Accountants

9309 Glacier Highway, Suite B-200

Juneau, Alaska 99801

This representation letter is provided in connection with your audits of the financial statements of the Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska, which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements of the Corporation are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters are not considered to be exceptions that require disclosure for the purpose of the following representations. The immaterial amounts are not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 30, 2021:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated May 10, 2021, for the preparation and fair presentation of the financial statements of the Corporation referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. With respect to nonaudit services performed by you, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
6. Significant assumptions used by us in making accounting estimates are reasonable.

7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. There is no summary of unrecorded misstatements since no adjustments were proposed by the auditor.
10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
11. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
12. All funds and activities are properly classified.
13. All net position components and fund balance classifications have been properly reported.
14. All revenues within the statements of revenue, expense, and changes in net position have been properly classified.
15. All expenses have been properly classified in the statements of revenue, expense, and changes in net position.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. There were no special items or extraordinary items requiring presentation in the financial statements.
18. Deposit and investment risks have been properly and fully disclosed.
19. We have no capital assets, including infrastructure assets.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. Nonexchange and exchange financial guarantees, either written or oral, under which it is more likely than not that a liability exists have been properly recorded, or if we are obligated in any manner, are disclosed.

Information Provided

22. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the Corporation referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
23. All transactions have been recorded in the accounting records and are reflected in the financial statements.
24. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
25. We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
26. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
27. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors, regulators, or others.
28. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of federal loan program, contracts or loan agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
29. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. We are not aware of any instances nor have you reported any instances of fraud, noncompliance with provisions of laws, regulations, contracts, and loan agreements, or abuse.
31. We have a process to track the status of audit findings and recommendations, if any.
32. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations, if any, have been implemented.
33. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
34. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
35. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices, except as disclosed to you.
36. The Corporation has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
37. We have disclosed to you that we have made no guarantees, whether written or oral, under which the Corporation is contingently liable.
38. We have identified and disclosed to you the laws, regulations, and provisions of federal loan program and contracts and loan agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
39. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or loan agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.

- b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
40. The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
41. We have complied with all aspects of federal loan program and loan agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
42. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Uniform Guidance

43. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
 - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with Uniform Guidance.
 - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with Uniform Guidance.
 - d. The methods of measurement or presentation have not changed from those used in the prior period.
 - e. We believe significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
 - g. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
 - h. We have notified you of federal awards and funding increments that were received before December 26, 2014 (if any), and differentiated those awards from awards and funding increments received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
 - i. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available upon request.
 - j. We have, in accordance with Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of loan guarantees and interest subsidies.
 - k. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
 - l. We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
 - m. We have received no requests from a federal agency to audit one or more specific programs as a major program, except as disclosed to you.

- n. We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits or program reviews, or stated that there was no such noncompliance. We also know of no instances of noncompliance with direct and material compliance requirements occurring subsequent to period covered by the auditor's report.
- o. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- p. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports.
- q. Federal program financial reports are supported by the books and records from which the basic financial statements have been prepared, and our third party loan servicers records, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
- r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency, as applicable.
- s. We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, as applicable.
- t. We have charged costs to federal awards in accordance with applicable cost principles.
- u. We have no prior audit findings to include on a summary schedule of prior audit findings required by the Uniform Guidance.
- v. We have no findings related to previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including from the end of the period covered by the compliance audit to the date of the auditor's report.
- w. The reporting package does not contain personally identifiable information.
- x. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- y. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

In addition:

- z. We are responsible for complying with the requirements of federal statutes, regulations, and the provisions of contracts and loan agreements related to our federal program and have identified and disclosed to you the federal statutes, regulations, and the provisions of contracts and loan agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
- aa. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs.
- bb. We have provided to your our third-party loan servicer's attestation engagement report and have reviewed their SOC1 reports and are responsible for monitoring their internal controls related to the servicing of our FFEL program loans. We understand you did not preform audit procedures over the compliance requirements covered in their attestation engagement report.
- cc. Also, no changes have been made in the internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

dd. The State of Alaska, Department of Administration, Division of Finance is responsible for completing the Data Collection Form as required by the Uniform Guidance.

Signed: Sana Efird

Name: Sana Efird

Title: Chief Executive Officer

Signed: Julie Pierce

Name: Julie M. Pierce, CPA

Title: Chief Financial Officer



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

9. Dividend Recommendation
Alaska Student Loan Corporation

FINANCE OFFICE

P.O. Box 110505
Juneau, Alaska 99811-0505
Phone: 907.465.6740
TTY: Dial 711 or 800.770.8973
Fax: 907.465.3293
acpe.alaska.gov

To: Alaska Student Loan Corporation Members
Thru: Sana Efird, Executive Officer
From: Julie Pierce, Chief Finance Officer
Date: November 4, 2021
Re: FY23 Dividend to the State

Alaska Statute 14.42.295 states, “The board may elect to pay the state a return of contributed capital, or a dividend, for each base fiscal year that the corporation’s net income equals or exceeds \$2,000,000. The payment may not be less than 10% nor more than 35%...of the corporation’s net income ...”

For the year ending June 30, 2021, which is the year relative to a fiscal year 2023 dividend, the Corporation’s *Income before return of capital* was a loss of \$3,535,000. Therefore, the board is not in a position to declare a dividend based on net income.