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

Management's Discussion and Analysis and
Financial Statements

Years Ended June 30, 2025 and 2024

Together with Independent Auditor's Report

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

Years Ended June 30, 2025 and 2024

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024

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, 2025, and 2024 is being presented to assist readers in understanding the Corporation's structure, activities and significant financial issues. The presentation of financial information for fiscal year ended June 30, 2023 is included for year over year information purposes only.

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.

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

- Federal loans are no longer being originated. 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.

- Federal loans are no longer being originated. At June 30, 2025, the Corporation's gross loan portfolio was 87% State loans and 13% Federal loans.

- State loans have been made to borrowers meeting FICO score requirements of at least 640. 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.

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 are funded with non-pledged loan receipts and investment receipts.

- Loan Volume

  Annual loan originations decreased 12%, and increased 30% in fiscal years 2025 and 2024, respectively. Absent significant increases in operating costs or material changes in the loan program, the Corporation anticipates continuing to meet loan demand with loan payments and investment balances for the next several years. When loan payments and investment balances are no longer sufficient, the Corporation anticipates issuing debt to meet loan demand.

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.

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, 2025, and 2024, were $230, and $223 million, respectively. The change in assets from fiscal year 2025 to 2024 was an increase of $7 million or 3%.

- The Corporation's net education loans receivable were $78, and $86 million, at June 30, 2025, and 2024, respectively. These balances represent a decrease in fiscal year 2025 of $8 million or 10%.

- The assets of the Corporation exceed its liabilities (reported as net position) at the close of fiscal year 2025, and 2024 by $230, and $222 million, respectively. These balances represent an increase in fiscal year 2025 of $8 million or 4%.

- The Corporation's net operating income was $16 million, compared with net operating income of $17 million, for fiscal year ended June 30, 2025, and 2024, respectively. These balances represent a decrease in net operating income in fiscal year 2025 of $1 million.

- The Corporation's operating administration expense was $8 million during both fiscal years 2025, and 2024.

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

Statement of Net Position (in thousands)

Assets:	2025	2024	$ Change	% Change
Current	$ 15,851	24,457	(8,606)	(35)
Noncurrent	214,641	198,241	16,400	8
Total assets	$ 230,492	222,698	7,794	3
Liabilities:				
Current	$ 1,131	968	163	17
Total liabilities	1,131	968	163	17
Net position:				
Unrestricted	229,361	221,730	7,631	3
Total net position	229,361	221,730	7,631	3
Total liabilities and net position	$ 230,492	222,698	7,794	3

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024

Statement of Net Position (in thousands)

Assets:	2024	2023	$ Change	% Change
Current	$ 24,457	25,278	(821)	(3)
Noncurrent	198,241	188,336	9,905	5
Total assets	$ 222,698	213,614	9,084	4
Liabilities:				
Current	$ 968	1,383	(415)	(30)
Total liabilities	968	1,383	(415)	(30)
Net position:				
Unrestricted	221,730	212,231	9,499	4
Total net position	221,730	212,231	9,499	4
Total liabilities and net position	$ 222,698	213,614	9,084	4

The fiscal year 2025 decrease in current assets was due to a decrease in current receivable on loans and current interest receivable on loans. 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, 2025 or 2024.

The fiscal year 2025 increase in noncurrent assets was due to the increase in noncurrent investments offset with a decrease in noncurrent loans receivable. The decrease in noncurrent loans receivable is the result of loan payments continuing to exceed loan originations. Noncurrent investments increased due to collections on loans exceeding investments utilized for loan originations and administrative costs.

Current liabilities were $1 million in both fiscal year 2025, and 2024, and primarily consist of amounts due to the State of Alaska. Unrestricted net position increased in fiscal year 2025 because net operating income exceeded other operating expenses.

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

	2025	2024	$ Change	% Change
Net operating income (loss)	$ 15,785	17,310	(1,525)	(9)
Operating expense	(8,154)	(7,811)	(343)	4
Change in net position	7,631	9,499	(1,868)	(20)
Net position - beginning	221,730	212,231	9,499	4
Net position - ending	$ 229,361	221,730	7,631	3

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

	2024	2023	$ Change	% Change
Net operating income (loss)	$ 17,310	18,610	(1,300)	(7)
Operating expense	(7,811)	(8,848)	1,037	(12)
Change in net position	9,499	9,762	(263)	(3)
Net position - beginning	212,231	202,469	9,762	5
Net position - ending	$ 221,730	212,231	9,499	4

Net operating income 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 loan portfolio decreased 8% in fiscal year 2025. Yield on loans was 7% for both fiscal years 2025 and 2024. The provisions change as performance and balance of the loan and interest receivable portfolio changes. Additionally, in fiscal year 2025, the Corporation implemented a change in criteria in identifying loans receivable considered to be non-performing for purposes of estimating allowance for loan loss. The investment portfolio balance increased in fiscal year 2025. Yield on investments was 9% and 8% in fiscal year 2025 and 2024, respectively.

Operating expense was $8 million in both 2025 and 2024, and represents administrative and other income and expense.

Rate Discounts

Borrower benefits are intended to lower borrowers' interest costs. Rate discounts awarded in fiscal years 2025, and 2024 resulted in forgone interest on loans of approximately $46, and $50, 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.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Alaska Student Loan Corporation
Juneau, Alaska

Report on the Financial Statements

Opinion

We have audited the financial statements of the Alaska Student Loan Corporation (the Corporation), a component unit of the State of Alaska, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

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

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

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 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, 2025 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Corporation's internal control over financial reporting and compliance.

Elgee Rehfeld

September 30, 2025

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

Statements of Net Position

June 30, 2025 and 2024

(in thousands)

		2025	2024
Assets:			
Current assets:			
Cash (note 3)	$	615	604
Other		25	-
Interest receivable on investments		22	42
Interest receivable on loans (notes 4 and 5)		2,001	1,800
Loans receivable (notes 4 and 5)		13,188	22,011
Total current assets		15,851	24,457
Noncurrent assets:			
Interest receivable on loans, net (notes 4 and 5)		1,016	1,855
Loans receivable, net (notes 4 and 5)		64,870	63,988
Investments (note 3)		148,755	132,398
Total noncurrent assets		214,641	198,241
Total assets	$	230,492	222,698
Liabilities and Net Position:			
Liabilities:			
Current liabilities:			
Payable from unrestricted assets:			
Due to State of Alaska	$	1,137	1,034
Due from U.S. Dept. of Education (note 6)		(24)	(71)
Accounts payable		18	5
Total liabilities		1,131	968
Net position:			
Unrestricted (note 2)		229,361	221,730
Total net position		229,361	221,730
Total liabilities and net position	$	230,492	222,698

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, 2025 and 2024

(in thousands)

	2025	2024
Operating income:		
Interest on loans, net (note 2)	$ 6,640	8,461
Provision (note 5)	(4,068)	(1,334)
Investment income, net (note 2)	13,213	10,183
Total net operating income	15,785	17,310
Operating expense:		
Administration and other	8,154	7,811
Total operating expense	8,154	7,811
Change in net position	7,631	9,499
Total net position - beginning	221,730	212,231
Total net position - ending	$ 229,361	221,730

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, 2025 and 2024

(in thousands)

	2025	2024
Cash flows from operating activities:		
Principal payments received on loans	$ 14,234	17,719
Interest received on loans	4,784	5,614
Other receipts (payments)	23	(39)
Loans originated	(7,845)	(8,956)
Administration	(8,061)	(8,200)
Net cash provided by operating activities	3,135	6,138
Cash flows from investing activities:		
Income on investments	14,933	3,521
Investments matured or sold	20,378	23,113
Investments purchased	(38,435)	(32,774)
Net cash used for investing activities	(3,124)	(6,140)
Net increase (decrease) in cash	11	(2)
Cash at beginning of period	604	606
Cash at end of period	$ 615	604

(Continued)

See accompanying Notes to Financial Statements.

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

Statements of Cash Flows (continued)

Years Ended June 30, 2025 and 2024

(in thousands)

	2025	2024
Reconciliation of change in net position to cash flows from operating activities:		
Change in net position	$ 7,631	9,499
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Provision	4,068	1,334
Income received on investments	(14,933)	(3,521)
Unrealized (gain) loss on investments	1,700	(6,647)
Change in assets and liabilities:		
Decrease (increase) in other assets	(25)	11
Decrease (increase) in interest receivable on investments	20	(15)
Increase in interest receivable on loans	(710)	(1,280)
Decrease in loans receivable	5,221	7,172
Decrease in due from U.S. Dept. of Education	47	13
Increase (decrease) in net due to State of Alaska	103	(379)
Increase (decrease) in accounts payable	13	(49)
Total adjustments	(4,496)	(3,361)
Net cash provided by operating activities	$ 3,135	6,138

See accompanying 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 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.

(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 2.63% to 10.00%.

Non-interest bearing loans were approximately $60 and $46 at June 30, 2025, and 2024, 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 an income statement expense for the annual change in the allowances, net of annual write off, for uncollectible loans and related accrued interest.

(h) Income Taxes

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

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

(i) 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 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.

(j) 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.

(k) Unrestricted Net Position

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

(l) Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

GASB 101 – Compensated Absences – Effective for fiscal year 2025, the Corporation implemented the provisions of GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. GASB 101 also establishes guidance for measuring a liability for leave that has not been used. Implementation of this guidance did not have a financial impact.

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

GASB 102 – Certain Risk Disclosures – Effective for fiscal year 2025, the Corporation implemented the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to the Corporation's vulnerabilities due to certain concentrations or constraints. This Statement requires the Corporation to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires the Corporation to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Implementation of this guidance did not have a financial impact.

Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board has issued several new accounting standards required to be implemented in coming financial reporting periods. Management has not fully evaluated the potential effects of these statements:

GASB 103 – Financial Reporting Model Improvements – Effective for fiscal year 2026, the objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing the Corporation's accountability. This Statement introduces various new requirements and addresses certain application issues over Management's Discussion and Analysis, Unusual or Infrequent Items, the Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, Major Component Unit Information, and Budgetary Comparison Information presented in the financial statements.

GASB 104 – Disclosure of Certain Capital Assets – Effective for fiscal years beginning after June 15, 2025, the objective of this Statement is to provide users of Corporation financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34.

(m) Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 presentation.

(3) Cash and Investments

(a) Cash

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

	2025	2024
Current, unrestricted	$ 615	604

(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, 2025, the Corporation had no cash exposed to custodial credit risk.

(b) Investments

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

	2025	2024
Noncurrent, unrestricted	$ 148,755	132,398
Total	$ 148,755	132,398

(2) Investment Policies

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

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

- 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

(3) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's ownership share of the GeFONSI was 0.05%, and 0.04% at June 30, 2025 and 2024, respectively.

Credit risk information relative to investments in the GeFONSI and other pooled investments can be found in the State's Investment Report.

(4) Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of investments in a single investment provider. At June 30, 2025, the Corporation had no investment balances greater than five percent of the Corporation's total investments with a single investment provider.

Concentration risk information relative to investments in the GeFONSI and other pooled investments can be found in the State's Investment 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.

Interest rate risk information relative to the Corporation's investment in the GeFONSI and other pooled investments can be found in the State's Investment Report.

(6) Fair Value Measurements

Fair value measurements relative to investments in the GeFONSI and other pooled investments can be found in the State's Investment Report.

(*c*) *Other*

Unrestricted cash and unrestricted investments specifically designated for financing education loans include $2,360 and $1,919 at June 30, 2025 and 2024, respectively.

(4) Loans Receivable and Interest Receivable on Loans

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

		2025	2024
State loans:			
Current, unrestricted	$	11,001	11,447
Noncurrent:			
Unrestricted		73,724	79,809
Total, gross State loans		84,725	91,256
Federal loans:			
Current, unrestricted		2,187	10,564
Noncurrent:			
Unrestricted		10,679	4,326
Total, gross Federal loans		12,866	14,890
Total, gross loans		97,591	106,146
Allowance for doubtful loans		19,533	20,034
Allowance for principal forgiveness		-	113
Total allowance		19,533	20,147
Total, net loans	$	78,058	85,999
Current, unrestricted	$	13,188	22,011
Noncurrent:			
Unrestricted		64,870	63,988
Total, net loans	$	78,058	85,999

(4) Loans receivable and interest receivable on loans (cont.)

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

	2025	2024
State Education Loans		
Supplemental	$ 61,187	65,535
Consolidation	3,168	3,923
Refinanced	18,040	19,037
Teacher Education	953	1,241
Family Education	1,377	1,520
Total State Loans	84,725	91,256
Federal Family Education Loans		
Stafford	10,137	11,822
Consolidation	2,396	2,730
PLUS	333	338
Total Federal Loans	12,866	14,890
Total, gross loans	$ 97,591	106,146

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

	2025		2024	
	State	Federal	State	Federal
Enrollment	$ 9,419	34	8,503	34
Grace	2,780	-	2,434	-
Repayment	67,778	10,595	74,771	12,532
Deferment	4,293	784	4,902	1,032
Forbearance	455	1,453	646	1,292
Total	$ 84,725	12,866	91,256	14,890

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

	2025	2024
State Education Loans		
Supplemental	$ 2,195	1,814
Refinanced	115	16
Family Education	50	89
Total State Loans	$ 2,360	1,919

(4) Loans receivable and interest receivable on loans (cont.)

(e) The interest receivable on loans summarized by classification at June 30 follows:

		2025	2024
Interest Receivable on Loans:			
Current, unrestricted	$	2,001	1,800
Noncurrent:			
Unrestricted		6,825	7,873
Total, gross interest receivable on loans		8,826	9,673
Less:			
Doubtful interest		5,809	6,013
Interest forgiveness		-	5
Total allowance		5,809	6,018
Total, net interest receivable on loans	$	3,017	3,655
Current, unrestricted	$	2,001	1,800
Noncurrent:			
Unrestricted		1,016	1,855
Total, net interest receivable	$	3,017	3,655

(5) Allowances and Provision

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

		2025	2024
Balance, beginning of period	$	26,165	54,141
Provision		4,068	1,334
Balances charged off		(4,891)	(29,310)
Balance, end of period	$	25,342	26,165

		2025	2024
Allowance for:			
Doubtful loans	$	19,533	20,034
Principal forgiveness		-	113
Doubtful interest		5,809	6,013
Interest forgiveness		-	5
Total	$	25,342	26,165

(6) 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.

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

(7) Commitments and Contingencies

(a) Operations

As of June 30, 2025, the Corporation is committed to fund approximately $10,858 and $7 of the Commission's fiscal year 2026 and 2025 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.

(7) Commitments and Contingencies (cont.)

(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 2022 did not exceed $2,000; therefore, no capital was returned to the State in fiscal year 2024. Net income (change in net position) in fiscal year 2023 did exceed $2,000; however, the Board approved a motion in fiscal year 2024 that no dividend be declared for fiscal year 2025; therefore, no capital was returned to the State in fiscal year 2025. Net income (change in net position) in fiscal year 2024 did exceed $2,000; however, the Board approved a motion in fiscal year 2025, that no dividend will be declared for fiscal year 2026.

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

PFD garnishments were approximately $861 and $762 for the years ended June 30, 2025 and 2024, respectively.

(7) Commitments and Contingencies (cont.)

(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.

On January 27, 2025, the OMB of the United States Federal Government instituted a pause (freeze) on the disbursement of federal grant and loan funds, which became effective on January 28, 2025. The extent to which the funding freeze impacts operations, financial results, and cash flows, both current and future, will depend on future developments, which are highly uncertain and cannot be predicted with any measure of certainty or probability. As a result, the Corporation is unable to estimate what impact, if any, the funding freeze has on the June 30, 2025 financial statements or the Corporation's future operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(8) Subsequent Events

The One Big Beautiful Bill Act, signed into law on July 4, 2025, is a comprehensive federal legislative package designed to transform and modernize the U.S. higher education system. The legislation encompasses a wide range of reforms aimed at enhancing affordability, accessibility, accountability, and equity across colleges and universities nationwide. Several provisions may have direct and indirect consequences for private student loan lenders and servicers. The effect, if any, on the Corporation's State programs cannot be determined, and the financial statements do not include any adjustments that might result from the outcome of this uncertainty.