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

Management's Discussion and Analysis and
Financial Statements

June 30, 2022 and 2021

Together with Independent Auditor's Report

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

Years Ended June 30, 2022 and 2021

Table of Contents

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2022 and 2021

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, 2022 and 2021 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.

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, 2022, the Corporation's gross loan portfolio was 82% State loans and 18% Federal loans.

- 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.

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 originations decreased 7% and decreased 32% in fiscal years 2022 and 2021, 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.

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, 2022, and 2021, were $203, and $214 million, respectively. The change in assets from fiscal year 2021 to 2022 was a decrease of $11 million or 5 %.

- The Corporation's net education loans receivable were $101, and $121 million, at June 30, 2022, and 2021, respectively. These balances represent a decrease in fiscal year 2022 of $20 million or 17 %.

- The assets of the Corporation exceed its liabilities (reported as net position) at the close of fiscal year 2022, and 2021 by $202, and $212 million, respectively. These balances represent a decrease in fiscal year 2022 of $10 million or 5 %.

- The Corporation's operating loss was $2 million, compared with operating revenue of $6 million, for fiscal year ended June 30, 2022, and 2021, respectively. These balances represent a decrease in fiscal year 2022 of $8 million or 133 %.

- The Corporation's had no operating interest expense during fiscal year 2022. The Corporation's operating interest expense was $0.4 million during fiscal year 2021.

- The Corporation's operating administration expense was $8 million and $9 million during fiscal years 2022, and 2021, respectively. These balances represent a decrease of $1 million in fiscal year 2022.

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

Statement of Net Position (in thousands)

Assets:	2022	2021	$ Change	% Change
Current	$ 25,682	31,866	(6,184)	(19)
Noncurrent	177,588	182,413	(4,825)	(3)
Total assets	$ 203,270	214,279	(11,009)	(5)
Liabilities:				
Current	$ 801	1,947	(1,146)	(59)
Total liabilities	801	1,947	(1,146)	(59)
Net position:				
Unrestricted	202,469	212,332	(9,863)	(5)
Total net position	202,469	212,332	(9,863)	(5)
Total liabilities and net position	$ 203,270	214,279	(11,009)	(5)

The fiscal year 2022 decrease in current assets was due to a decrease in current 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, 2022 or 2021.

The fiscal year 2022 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 loans receivable was offset with an increase in noncurrent investments. Noncurrent investments increased due to collections on loans exceeding investments utilized for loan originations and administrative costs. Current liabilities decreased in fiscal year 2022 due to a decrease in amounts due to the State of Alaska. Unrestricted net position decreased in fiscal year 2022 because expenses and losses exceeded revenue.

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

	2022	2021	$ Change	% Change
Operating income (loss)	$ (1,520)	6,115	(7,635)	(125)
Operating expense	(8,343)	(9,650)	1,307	(14)
Change in net position	(9,863)	(3,535)	(6,328)	179
Net position - beginning	212,332	215,867	(3,535)	(2)
Net position - ending	$ 202,469	212,332	(9,863)	(5)

Operating income (loss) represents interest on education loans, loan-related provisions, earnings (loss) 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 12 % in fiscal year 2022. Yield on loans was 5.5 %, and 5.4 % for fiscal years 2022 and 2021, 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 increased in fiscal year 2022. Yield on investments was (8.3) %, and 0.3% in fiscal years 2022 and 2021, respectively.

Operating expense represents interest on debt, as well as administrative expenses. In fiscal year 2022 and 2021, 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.

Rate Discounts

Borrower benefits are intended to lower borrowers' interest costs. Rate discounts awarded in fiscal years 2022, and 2021 resulted in forgone interest on loans of approximately $119, and $233, 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.

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 (the Corporation), as of and for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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

The Corporation's 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 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, 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 5 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, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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, 2022

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

Statements of Net Position

June 30, 2022 and 2021

(in thousands)

		2022	2021
Assets:			
Current assets:			
Cash (note 3)	$	644	902
Other		113	94
Interest receivable on investments		4	162
Interest receivable on loans		2,211	2,308
Loans receivable (note 4)		22,710	28,400
Total current assets		25,682	31,866
Noncurrent assets:			
Interest receivable on loans, net (note 5)		2,300	3,081
Loans receivable, net (notes 4 and 5)		78,721	92,887
Investments (note 3)		96,567	86,445
Total noncurrent assets		177,588	182,413
Total assets	$	203,270	214,279
Liabilities and Net Position:			
Liabilities:			
Current liabilities:			
Payable from unrestricted assets:			
Due to State of Alaska	$	605	1,380
Due to U.S. Dept. of Education (note 6)		175	297
Accounts payable		21	270
Total liabilities		801	1,947
Net position:			
Unrestricted (note 2)		202,469	212,332
Total net position		202,469	212,332
Total liabilities and net position	$	203,270	214,279

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, 2022 and 2021

(in thousands)

	2022	2021
Operating income (loss)		
Interest on loans, net (note 2)	$ 8,807	9,731
Provision (note 5)	(2,728)	(3,935)
Investment income (loss), net (note 2)	(7,599)	319
Total operating income (loss)	(1,520)	6,115
Operating expense:		
Interest	-	388
Administration	8,343	9,262
Total operating expense	8,343	9,650
Change in net position	(9,863)	(3,535)
Total net position - beginning	212,332	215,867
Total net position - ending	$ 202,469	212,332

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, 2022 and 2021

(in thousands)

		2022	2021
Cash flows from operating activities:			
Principal payments received on loans	$	27,917	30,120
Interest received on loans		5,229	5,524
Other receipts		(2)	28
Loans originated		(6,519)	(7,030)
Administration		(9,320)	(8,856)
Net cash provided by operating activities		17,305	19,786
Cash flows from noncapital financing activities:			
Interest paid on debt		-	(216)
Principal paid on debt		-	(35,985)
Net cash used for noncapital financing activities		-	(36,201)
Cash flows from investing activities:			
Income (loss) on investments		(7,593)	2,108
Investments matured or sold		218,173	238,135
Investments purchased		(228,143)	(223,610)
Net cash provided by (used for) investing activities		(17,563)	16,633
Net increase (decrease) in cash		(258)	218
Cash at beginning of period		902	684
Cash at end of period	$	644	902

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, 2022 and 2021

(in thousands)

		2022	2021
Reconciliation of change in net position to cash flows from operating activities:			
Change in net position	$	(9,863)	(3,535)
Adjustments to reconcile change in net position to net cash provided by operating activities:			
Provision		2,728	3,935
Income received on investments		7,593	(2,108)
Unrealized (gain) loss on investments		(152)	1,471
Interest paid on debt		-	216
Amortization of debt discount		-	172
Change in assets and liabilities:			
Decrease in other assets		(19)	121
Decrease in interest receivable on investments		158	318
Increase in interest receivable on loans		(725)	(1,481)
Decrease in loans receivable		18,731	20,282
(Decrease) increase in due to U.S. Dept. of Education		(122)	(36)
Increase (decrease)in net due to State of Alaska		(775)	210
Increase in accounts payable		(249)	221
Total adjustments		27,168	23,321
Net cash provided by operating activities	$	17,305	19,786

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. The significant accounting and reporting estimates applied in the preparation of the accompanying financial statements are discussed below.

(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 1.72% to 9.00%.

Non-interest bearing loans were approximately $186 and $219 at June 30, 2022 and 2021, 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 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

During fiscal year 2022, the Corporation adopted the provisions of Government Accounting Standards Board (GASB) statement No. 87, Leases (GASB 87). GASB 87 increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. This pronouncement did not impact the preparation of these financial statements.

(m) Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation.

(3) Cash and Investments

(a) Cash

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

		2022	2021
Current, unrestricted	$	644	902

(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, 2022, 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:

		2022	2021
Noncurrent, unrestricted	$	96,567	86,445
Total	$	96,567	86,445

(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 0.04 % and 0.13% at June 30, 2022 and 2021, 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, 2022, 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 $1,439 and $1,175 at June 30, 2022 and 2021, respectively.

(4) Loans Receivable

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

		2022	2021
State loans:			
Current, unrestricted	$	15,488	19,463
Noncurrent:			
Unrestricted		107,611	116,304
Total, gross State loans		123,099	135,767
Federal loans:			
Current, unrestricted		7,222	8,937
Noncurrent:			
Unrestricted		19,404	24,706
Total, gross Federal loans		26,626	33,643
Total, gross loans		149,725	169,410
Allowance for doubtful loans		48,114	47,933
Allowance for principal forgiveness		180	190
Total allowance		48,294	48,123
Total, net loans	$	101,431	121,287
Current, unrestricted	$	22,710	28,400
Noncurrent:			
Unrestricted		78,721	92,887
Total, net loans	$	101,431	121,287

(4) Loans receivable (cont.)

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

		2022	2021
State Education Loans			
Supplemental	$	95,062	104,400
Consolidation		7,261	9,292
Refinanced		17,046	17,610
Teacher Education		1,985	2,376
Family Education		1,745	2,089
Total State Loans		123,099	135,767
Federal Family Education Loans			
Stafford		21,348	27,224
Consolidation		4,614	5,681
PLUS		664	738
Total Federal Loans		26,626	33,643
Total, gross loans	$	149,725	169,410

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

		2022		2021	
		State	Federal	State	Federal
Enrollment	$	8,479	87	11,228	117
Grace		3,880	-	4,914	85
Repayment		102,825	22,668	109,754	26,520
Deferment		6,372	2,011	6,770	3,059
Forbearance		1,543	1,860	3,101	3,862
Total	$	123,099	26,626	135,767	33,643

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

		2022	2021
State Education Loans			
Supplemental	$	1,255	693
Refinanced		126	478
Family Education		58	4
Total State Loans	$	1,439	1,175

(5) Allowances and Provision

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

		2022	2021
Balance, beginning of period	$	64,022	61,287
Provision		2,728	3,935
Balances charged off		(1,047)	(1,200)
Balance, end of period	$	65,703	64,022

		2022	2021
Allowance for:			
Doubtful loans	$	48,114	47,933
Principal forgiveness		180	190
Doubtful interest		17,386	15,877
Interest forgiveness		23	22
Total	$	65,703	64,022

(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%.

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

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, 2022, the Corporation is committed to fund approximately $9,800 and $43 of the Commission's fiscal year 2023 and 2022 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 2021 and 2020 did not exceed $2,000; therefore, no capital will be returned to the State in fiscal year 2023 and 2022.

(7) Commitments and Contingencies (cont.)

(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 $966 and $905 for the years ended June 30, 2022 and 2021, 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 2022 and 2021, the special allowance payment rate was indexed to one-month London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, and passage of The LIBOR Act by Congress, FFELP lenders are allowed to transition from use of LIBOR to Secured Overnight Financing Rate, or SOFR, for purposes of special allowance payments. Transition must occur on or before June 30, 2023. Management is evaluating the impact of this transition on the Corporation's Financial Statements.