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
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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.

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.

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.

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.

- 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.

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.

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)

		2021	2020
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		-	100
Total operating revenue		6,115	7,126
Operating expense:			
Interest		388	902
Administration		9,262	9,786
Total operating expense		9,650	10,688
Change in net position		(3,535)	(3,562)
Total net position - beginning		215,867	219,429
Total net position - ending	$	212,332	215,867

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)

	2021	2020
Reconciliation of change in net position to cash flows from operating activities:		
Change in net position	$ (3,535)	(3,562)
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	-	(18)
Total adjustments	23,321	24,203
Net cash provided by operating activities	$ 19,786	20,641

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, 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.

(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.

(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.

(3) Cash and Investments

(a) Cash

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

		2021	2020
Current, unrestricted	$	902	684

(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:

		2021	2020
Current:			
Restricted	$	-	1,012
Noncurrent:			
Unrestricted		86,445	101,429
Total	$	86,445	102,441

(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 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

(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:

Investment Type	Ratings		2021	2020
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		$	86,445	102,441

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.

(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:

		Fair Value	Percent of Total Investments
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.

(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.

(4) Loans Receivable

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

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

(4) Loans receivable (cont.)

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

		2021	2020
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		2,089	2,187
Total State Loans		135,767	150,190
Federal Family Education Loans			
Stafford		27,224	32,663
Consolidation		5,681	6,932
PLUS		738	951
Total Federal Loans		33,643	40,546
Total, gross loans	$	169,410	190,736

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

		2021		2020	
		State	Federal	State	Federal
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		3,101	3,862	7,532	7,338
Total	$	135,767	33,643	150,190	40,546

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

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

(5) Allowances and Provision

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

	2021	2020
Balance, beginning of period	$ 61,287	57,822
Provision	3,935	7,968
Balances charged off	(1,200)	(4,503)
Balance, end of period	$ 64,022	61,287

	2021	2020
Allowance for:		
doubtful loans	$ 47,933	46,534
principal forgiveness	190	204
doubtful interest	15,877	14,533
interest forgiveness	22	16
Total	$ 64,022	61,287

(6) Bonds Payable

(a) Bonds payable at June 30 follows:

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

(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.

(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.

(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 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.