MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018 AND 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Directors of Mississippi Higher
Education Assistance Corporation and
Subsidiary Woodward Hines Education
Foundation

We have audited the accompanying consolidated financial statements of Mississippi Higher Education Assistance Corporation (a nonprofit organization) and subsidiary Woodward Hines Education Foundation which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial

Auditor's Responsibility - continued:

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Higher Education Assistance Corporation and subsidiary Woodward Hines Education Foundation, as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Haddox Reid Eubank Betts PLLC

Jackson, Mississippi
June 26, 2019

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

		2018	2017
Cash and cash equivalents	$	7,575,373	6,995,932
Investments		152,713,969	157,510,432
Student loans receivable		220,308,253	249,711,787
Interest and special allowance receivable		3,778,551	3,332,557
Other assets		81,111	127,527
Total assets	$	384,457,257	417,678,235

LIABILITIES AND NET ASSETS

		2018	2017
LIABILITIES:			
Accounts payable and accrued expenses	$	544,896	587,791
Accrued interest payable		106,317	85,571
Grants payable		978,280	657,750
Notes payable		199,204,768	228,739,558
Total liabilities		200,834,261	230,070,670
NET ASSETS WITHOUT DONOR RESTRICTIONS		183,622,996	187,607,565
Total liabilities and net assets	$	384,457,257	417,678,235

The accompanying notes are an integral part of these statements.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUE AND SUPPORT:		
Student loan revenue	$ 8,777,997	7,862,866
Other revenue	25,225	96,760
Total revenue and support	8,803,222	7,959,626
FUNCTIONAL EXPENSES:		
Program services:		
Student loans	6,925,052	5,602,410
College planning	2,702,561	2,589,892
Grants and programming	936,489	1,313,380
Total program services	10,564,102	9,505,682
Support services:		
Management and general	999,526	1,084,641
Total functional expenses	11,563,628	10,590,323
Net operating expense	(2,760,406)	(2,630,697)
OTHER REVENUE (EXPENSE):		
Investment income (loss)	(1,224,163)	13,321,774
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(3,984,569)	10,691,077
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD	187,607,565	176,916,488
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD	$ 183,622,996	187,607,565

The accompanying notes are an integral part of these statements.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

		2018	2017
RECEIPTS (DISBURSEMENTS) IN CASH AND CASH EQUIVALENTS:			
Cash flows from operating activities:			
Cash received from student loans	$	4,670,471	3,627,806
Other cash received		45,010	83,247
Interest paid		(5,774,576)	(4,339,782)
Cash paid for program and support services		(5,080,858)	(5,055,818)
Interest and dividends received		19,140	27,724
Investment management fees paid		(322,947)	(372,803)
Net cash used in operating activities		(6,443,760)	(6,029,626)
Cash flows from investing activities:			
Additions to equipment		(31,199)	(87,271)
Collection of student loan principal		35,090,098	37,405,103
Purchases of student loan principal		(2,145,232)	(3,171,502)
Proceeds from sale of investments and distributions		122,610,856	40,726,399
Purchases of investments		(118,689,322)	(36,882,150)
Net cash provided by investing activities		36,835,201	37,990,579
Cash flows from financing activities:			
Payments to redeem notes		(29,812,000)	(32,998,000)
Net cash used in financing activities		(29,812,000)	(32,998,000)

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED:
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 579,441	(1,037,047)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,995,932	8,032,979
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 7,575,373	6,995,932
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH USED IN OPERATING ACTIVITIES:		
Change in net assets without donor restrictions	$ (3,984,569)	10,691,077
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Amortization and depreciation	688,038	746,502
Net realized and unrealized gain (loss) on investments	3,011,854	(11,120,032)
Capitalized interest on student loans	(3,945,752)	(4,230,171)
Dividends reinvested	(2,136,925)	(2,555,237)
Provision for loan losses	51,422	43,847
Increase in interest and special allowance receivable	(445,996)	(358,182)
(Increase) decrease in other assets	19,785	(12,912)
Increase (decrease) in accounts payable	(42,893)	74,622
Increase in accrued interest payable	20,746	33,110
Increase in grants payable	320,530	657,750
Total adjustments	(2,459,191)	(16,720,703)
Net cash used in operating activities	$ (6,443,760)	(6,029,626)

The accompanying notes are an integral part of these statements.

NOTE 1 - ORGANIZATIONS

Mississippi Higher Education Assistance Corporation ("MHEAC") is a nonprofit corporation organized in 1980 under the laws of the State of Mississippi. MHEAC is not an agency or instrumentality of the State of Mississippi or any agency or political subdivision thereof. MHEAC operates in accordance with the Higher Education Act exclusively for charitable and educational purposes. MHEAC owns student loans originated under Federal programs for postsecondary education cost.

Woodward Hines Education Foundation ("WHEF") is a nonprofit corporation organized in 1995 under the laws of the State of Mississippi. WHEF is not an agency or instrumentality of the State of Mississippi or any agency or political subdivision thereof. WHEF is a subsidiary supporting organization of MHEAC and operates exclusively for the benefit of, to perform the functions of, and to carry out the purposes of MHEAC. WHEF provides services to students and parents including college access and financial aid counseling to help Mississippians obtain post secondary credentials, college certificates, and degrees that lead to meaningful employment and makes grants and collaborates with nonprofit organizations providing services and assistance to students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958).* The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative information regarding liquidity and availability of resources, and (d) presenting investment return net of external and direct internal investment expenses. Although the Company's adoption of ASU 2016-14 had no effect on the Company's total net assets or its changes in net assets for 2018 and 2017, certain reclassifications were required of its functional expenses and certain footnote disclosures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Principles of Consolidation

Because WHEF is a subsidiary supporting organization of MHEAC, U.S. generally accepted accounting principles ("GAAP") require that the financial statements of MHEAC and WHEF ("the Company") be consolidated. Material intercompany transactions and balances have been eliminated in the consolidated financial statements.

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with GAAP. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions consist of amounts that are available for use in general operations. The Company has no net assets subject to donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all checking accounts, money market accounts, commercial paper, and investment agreements with an original maturity of three months or less.

Investments

The overall, long-term investment goal of the investment portfolio is to achieve an annualized return (net of fees and expenses), through appreciation and income, greater than the rate of inflation (as measured by the Consumer Price Index) plus any spending, thus protecting the purchasing power of the assets.

Investments that are traded on national or international securities exchanges are carried at estimated fair value, based upon quoted market prices provided by external investment managers and the Company's custodian and accepted by the Company's management. Nonpublicly traded investments include hedge funds, pooled investment funds and private equity funds and are carried at estimated fair value. Such investments are not readily marketable and are often highly illiquid. The estimated fair values of nonpublicly traded investments included in the consolidated financial statements are subject to a high degree of uncertainty and the actual values could differ materially from the estimated fair values. Management of the Company believes the nonpublicly traded investments are carried at reasonable estimates of their fair value.

Investment transactions are recorded on their trade dates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Student Loans Receivable

The Company records student loan receivables that it has the intent and ability to hold for the foreseeable future or until maturity or payoff on its consolidated statements of financial position at outstanding principal adjusted for charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans, and any unamortized premiums or discounts. Origination costs and premiums are amortized over the expected life of the related loans using the effective interest method.

The allowance for loan losses is maintained at a level the Company believes is sufficient to absorb probable credit losses inherent in the student loan portfolio. The allowance is determined based on estimates of the probable future net credit losses and a provision is charged against earnings to maintain the allowance for loan losses at that level. The Company's net credit losses include the principal amount of loans charged off less current year recoveries.

Notes Payable

Notes payable are reported at their principal amount outstanding net of unamortized debt issuance costs. The costs of issuing notes, which are composed of underwriter's discount, legal costs and other related financing costs, are capitalized and amortized over the expected life of the related debt issue on a weighted average basis.

Grants

Unconditional grants are recorded as an expense in the year they are committed. Conditional grants are recorded as an expense when the conditions have been met. As of December 31, 2018 and 2017, the Company had no conditional grants outstanding.

Advertising

Advertising costs are charged to operations when incurred.

Income Taxes

The Company is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Company believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on benefits derived.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS

Financial instruments which potentially subject the Company to concentrations of credit risk include cash and cash equivalents. Generally, deposits with banks are in excess of the FDIC insurance limit. Management routinely assesses the financial strength of the institutions and, as a consequence, believes that cash and cash equivalents credit risk exposure is limited.

At December 31, 2018 and 2017, cash and cash equivalents consisted of:

		2018	2017
Cash	$	1,513,980	2,089,882
Money market instruments		6,061,393	4,906,050
	$	7,575,373	6,995,932

Included in cash and cash equivalents are restricted cash and cash equivalents of $3,624,987 and $3,506,306 as of December 31, 2018 and 2017, respectively.

NOTE 4 - FAIR VALUE MEASUREMENTS

GAAP defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to

NOTE 4 - FAIR VALUE MEASUREMENTS - CONTINUED:

measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of input within the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted market prices in active markets for identical items.

Level 2 - Other significant observable inputs (such as quoted prices for similar items).

Level 3 - Significant unobservable inputs (such values are primarily based on information provided by the investee entity).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2018 and 2017:

Public equity funds: Value based on quoted market prices.

Hedge funds: These funds invest with institutional quality hedge fund managers. Net asset value is calculated based upon valuations received from the underlying hedge funds.

Private equity funds: Net asset value is calculated on a quarterly basis using the value of the underlying investment funds and other fund assets and liabilities.

Pooled invested funds: Net asset value is calculated on a monthly basis using the value of the underlying investment funds and other fund assets and liabilities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. Certain investments that are measured at fair value using net asset value per share or its equivalent as a practical expedient to estimated fair value have not been classified in the fair value hierarchy.

NOTE 4 - FAIR VALUE MEASUREMENTS - CONTINUED:

The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as of December 31, 2018 and 2017:

	December 31, 2018			
	(Level 1)	(Level 2)	(Level 3)	Total
Public equity funds	$ 18,474,633	-	-	18,474,633
Alternative investment vehicles at net asset value				134,239,336
				$ 152,713,969

	December 31, 2017			
	(Level 1)	(Level 2)	(Level 3)	Total
Public equity funds	$ 78,619,929	-	-	78,619,929
Alternative investment vehicles at net asset value				74,770,336
Distribution Receivable				4,120,167
				$ 157,510,432

The Company uses the net asset value (NAV) to determine the fair value of all investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments which use net asset value to determine fair value by major category:

	Fair Value December 31, 2018	Unfunded commitments (approximate)	Remaining Life	Redemption Frequency	Redemption Notice
Investment in hedge funds	37,712,771	N/A	N/A	Monthly and Semi-Annually	30-95 Days
Investment in private equity funds	48,706,367	34,650,000	8-12 Years	N/A	N/A
Investment in pooled investment funds	47,820,198	N/A	N/A	Daily, Monthly and Quarterly	5-60 Days

	Fair Value December 31, 2017	Unfunded commitments (approximate)	Remaining Life	Redemption Frequency	Redemption Notice
Investment in hedge funds	41,076,730	N/A	N/A	Monthly and Semi-Annually	30-95 Days
Investment in private equity funds	33,693,606	33,500,000	9-11 Years	N/A	N/A

NOTE 5 - STUDENT LOANS RECEIVABLE

Student loans are Federal Family Education Loans Program ("FFELP") Stafford loans, Parent Loans for Undergraduate Students ("PLUS") loans, and Consolidation loans. The terms of the loans, which vary on an individual basis, generally provide for repayment in monthly installments of principal and interest over a period of up to ten years for Stafford and PLUS loans and up to thirty years for Consolidation loans. Stafford loans generally do not require repayment while the borrower is in school and during the grace period immediately upon leaving school. Repayment for PLUS and Consolidation loans generally begins after the final disbursement of the loan. Repayment of FFELP loans may be delayed during periods of deferment or forbearance that are granted based on need. Interest continues to accrue on loans in the in-school, grace, deferment, and forbearance periods. For certain Stafford loans and certain Consolidation loans, the U.S. Department of Education ("DOE") pays the loan interest while the loan is in the in-school, grace, or deferment period. This interest is paid quarterly to the Company by DOE and is referred to as interest subsidy. Interest rates on FFELP loans are either a stated fixed rate or a variable rate, depending on when the loan was originated and the loan type. Variable rates are subject to a cap and are reset annually on July 1 of each year.

For loans disbursed prior to April 1, 2006, the Company earns interest at the greater of the loan rate or a floating rate based on the special allowance payment ("SAP") formula, with any interest earned at the SAP rate that exceeds the interest earned at the loan rate being paid directly by DOE on a quarterly basis. For loans disbursed on or after April 1, 2006, the Company earns interest at the SAP rate, as any interest earned at the loan rate that exceeds the interest earned at the SAP rate is required to be refunded to DOE on a quarterly basis. For loans first disbursed prior to January 1, 2000, the SAP rate is related to the average of 91-day Treasury bill rates during each quarter. For loans first disbursed on or after January 1, 2000, the SAP rate is related to the average of 1-month LIBOR rates during each quarter.

The Company is required to pay DOE a monthly fee at an annualized rate of 1.05% of the principal amount of, and accrued interest on, its Consolidation loans.

All of the student loans are pledged to the repayment of notes. Concentrations of credit risk with respect to student loans are limited due to a large number of borrowers and the guarantee. Student loans are guaranteed by various guarantors, which are reinsured by the Federal government. The guarantors guarantee 98% of principal and accrued interest for loans disbursed prior to July 1, 2006, and 97% for loans disbursed on or after July 1, 2006. As of December 31, 2018 and 2017, approximately 77% and 77%, respectively, of the loans were subject to the 98% guarantee, with the remainder subject to the 97% guarantee.

NOTE 5 - STUDENT LOANS RECEIVABLE - CONTINUED:

At December 31, 2018 and 2017, student loans consisted of:

	2018	2017
Student loans receivable	$ 218,305,578	247,388,452
Unamortized premiums and origination costs	2,245,328	2,598,326
	220,550,906	249,986,778
Provision for loan losses	(242,653)	(274,991)
	$ 220,308,253	249,711,787

At December 31, 2018 and 2017, approximately 79% and 79%, respectively, of the student loans were Consolidation loans and approximately 84% and 84%, respectively, of the student loans were in repayment. During the years ended December 31, 2018 and 2017, the average annual yield on student loans was approximately 3.74% and 2.98%, respectively.

At December 31, 2018 and 2017, 100% of the student loans were serviced by Navient Solutions, LLC.

NOTE 6 - OTHER ASSETS

At December 31, 2018 and 2017, other assets consisted of:

	2018	2017
Equipment, furniture and software	$ 921,004	959,392
Accumulated depreciation	(855,909)	(867,665)
Net book value	65,095	91,727
Prepaid note fees	4,375	4,375
Miscellaneous	11,641	31,425
	$ 81,111	127,527

NOTE 7 - NOTES PAYABLE

Notes payable are taxable LIBOR floating rate notes with a stated maturity of October 25, 2035. Interest is paid monthly, and note fund cash remaining after payment of interest and expenses is used to pay down principal monthly. Interest is reset monthly at 1-month LIBOR plus .68%. The interest rate at December 31, 2018 and 2017 was 3.19% and 2.23%, respectively.

At December 31, 2018 and 2017, notes payable consisted of:

	2018	2017
Notes payable principal amount	$ 200,204,000	230,016,000
Unamortized debt issuance costs	(999,232)	(1,276,442)
	$ 199,204,768	228,739,558

During the years ended December 31, 2018 and 2017, the average annual expense rate for notes was approximately 2.85% and 1.94%, respectively.

NOTE 8 - SUPPLEMENTAL INFORMATION ON NONCASH OPERATING, INVESTING, AND FINANCING ACTIVITIES

The Company has capitalized certain amounts of accrued interest income on student loans and included the amounts in student loans receivable. For the years ended December 31, 2018 and 2017, capitalized interest was approximately $3,946,000 and $4,230,000, respectively.

For the years ended December 31, 2018 and 2017, dividend income included approximately $2,137,000 and $2,555,000, respectively, which was reinvested.

NOTE 9 - RETIREMENT PLAN

The Company has a 403(b) deferred compensation plan that covers substantially all employees. Participating employees may contribute up to the maximum dollar amount permitted by law. The board of directors annually determines the amount of an employee's contributions that will be matched. For 2018 and 2017, the match for the first 6% of an employee's eligible compensation contributed by the employee is 100%. For 2018 and 2017, the match was $115,445 and $109,194, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Company leases office space from third parties under certain operating lease agreements with expiration dates through 2021. Rent expense under these agreements was $269,898 and $266,757 for the years ended December 31, 2018 and 2017, respectively. The minimum future payments for the office space leases required for the succeeding years are $261,664 for 2019, $238,951 for 2020; and $8,450 for 2021.

Periodically, the Company commits to making additional investments. At December 31, 2018 and 2017, the Company's unfunded commitments were $34,650,000 and $33,500,000, respectively.

In December 2014, Conduent Education Services, LLC, formerly known as ACS Education Loan Services, LLC, ("Conduent") notified the Company that certain student loan accounts serviced for the Company and other parties had not been properly updated for all loan activity, and as a result certain account balances may have been stated inaccurately. Conduent has retained an independent outside auditor to assist in the account adjustments and the updates of any required credit or tax reporting in accordance with a remediation plan approved by the Consumer Financial Protection Bureau ("CFPB") and the DOE. Management does not believe the resolution of this matter will have a material adverse effect on the Company.

During 2017, the CFPB and Attorneys General for the State of Illinois, the State of Washington and the State of Pennsylvania initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of Federal and State consumer protection statutes, including the Consumer Financial Protection Act of 2010, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act and various State consumer protection laws. Additionally, the Attorneys General for the states of California and Mississippi recently initiated similar actions against Navient Corporation and certain subsidiaries alleging violations of various state and federal consumer protection laws. Navient in its 2018 financial statements states it believes the suits improperly seek to impose penalties on Navient based on new, unannounced standards applied retroactively only against one servicer, and that the allegations are false. Navient intends to vigorously defend against the allegations in each of these cases. Management does not believe the resolution of this matter will have a material adverse effect on the Company.

In the normal course of business, the Company is subject to consumer credit disputes and potential litigation. Management is not aware of any consumer credit disputes or potential litigation which it believes is likely to have a material adverse effect on the Company.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments principally consist of cash and cash equivalents, investments, student loans receivable and notes payable. Cash and cash equivalents reflected in the financial statements approximates fair value because of the short-term maturity of these instruments. Long-term debt approximates fair value based on interest rates that are believed to be available to the Company for instruments with similar provisions provided for in the existing agreements. It is not practical to estimate the fair value of the student loans receivable because there is no quoted market price for these instruments and they are reported at unamortized cost. The methods for valuing investments are described in Note 4.

NOTE 12 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Company's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

Financial assets at year-end	$ 382,130,818
Less amounts unavailable for general expenditure within one year, due to:	
Amounts held under note fund	(225,459,698)
Amounts held in illiquid investments	(48,706,367)
Amounts committed to illiquid investments	(34,650,000)
Net financial assets available within one year	$ 73,314,753

The Company's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and planned increases in program expenditures for 2019.

The Company has an investment policy authorized by the board of directors that provides guidance and oversight for the management of cash and cash equivalents, and investments. The policy provides that the Company maintain an adequate level of cash to meet ongoing operational requirements. In addition, the policy sets forth the structure for investment of excess cash based on future needs.

NOTE 13 - FUNCTIONAL EXPENSES

Functional expense allocation for the years ended December 31, 2018 and 2017 is as follows:

	Program Services			Support Services	2018	2017
	Student Loans	College Planning	Grants and Programming	General & Administrative	Total Expenses	Total Expenses
Interest	$ 6,072,531	-	-	-	6,072,531	4,700,554
Personnel cost	139,948	1,537,477	297,268	495,050	2,469,743	2,395,167
Loan servicing cost	555,283	-	-	-	555,283	613,361
Consulting and computer services	7,707	297,247	56,954	92,826	454,734	519,102
Occupancy expenses	14,499	220,589	19,651	42,170	296,909	290,729
Other expenses	132,738	301,225	22,795	131,782	588,540	539,495
Grants and scholarships	-	25,746	528,130	-	553,876	997,260
Program	-	177,182	5	-	177,187	140,745
Insurance	2,038	42,707	1,256	105,956	151,957	175,066
Legal and accounting services	-	-	-	122,802	122,802	114,230
Travel	308	100,388	10,430	8,940	120,066	104,614
	$ 6,925,052	2,702,561	936,489	999,526	11,563,628	10,590,323

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, consulting and computer services, occupancy, insurance, travel and other, which are allocated primarily based on employee time.

NOTE 14 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 26, 2019, the date the consolidated financial statements were approved by the Company's management and thereby available to be issued, and determined that there are no subsequent events of a material nature requiring adjustment to or disclosure in the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION (MHEAC)
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION (WHEF)

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	MHEAC	WHEF	Eliminations	Total
ASSETS				
Cash and cash equivalents	$ 4,035,830	3,539,543	-	7,575,373
Investments	-	152,713,969	-	152,713,969
Student loans receivable	220,308,253	-	-	220,308,253
Interest and special allowance receivable	3,771,786	6,765	-	3,778,551
Other assets	4,375	76,736	-	81,111
Total assets	$ 228,120,244	156,337,013	-	384,457,257
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable and accrued expenses	$ 210,634	334,262	-	544,896
Accrued interest payable	106,317	-	-	106,317
Grants payable	-	978,280	-	978,280
Notes payable	200,204,000	-		200,204,000
Deferred cost of issuance less accumulated amortization	(999,232)	-	-	(999,232)
Total liabilities	199,521,719	1,312,542	-	200,834,261
NET ASSETS WITHOUT DONOR RESTRICTIONS:				
Note fund	18,181,838	-	-	18,181,838
General fund	10,416,687	155,024,471	-	165,441,158
Total net assets without donor restrictions	28,598,525	155,024,471	-	183,622,996
Total liabilities and net assets	$ 228,120,244	156,337,013	-	384,457,257

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION (MHEAC) AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION (WHEF)

CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

	MHEAC	WHEF	Eliminations	Total
REVENUE AND SUPPORT:				
Student loan revenue	$ 8,777,997	-	-	8,777,997
Other revenue	-	960,035	(934,810)	25,225
Total without donor restrictions	8,777,997	960,035	(934,810)	8,803,222
FUNCTIONAL EXPENSES:				
Program services:				
Student loans	7,189,270	380,686	(644,904)	6,925,052
College planning	-	2,702,561	-	2,702,561
Grants and programming	-	936,489	-	936,489
Total program services	7,189,270	4,019,736	(644,904)	10,564,102
Support services:				
Management and general	489,073	800,359	(289,906)	999,526
Total functional expenses	7,678,343	4,820,095	(934,810)	11,563,628
Net operating revenue (expense)	1,099,654	(3,860,060)	-	(2,760,406)
OTHER REVENUE (EXPENSE):				
Investment income (loss):				
Interest and dividends	13,052	2,097,028	-	2,110,080
Realized gain on investments	-	1,394,559	-	1,394,559
Unrealized loss on investments	-	(4,406,413)	-	(4,406,413)
Investment management fees	-	(322,389)	-	(322,389)
Total investment income (loss)	13,052	(1,237,215)	-	(1,224,163)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,112,706	(5,097,275)	-	(3,984,569)
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD	27,485,819	160,121,746	-	187,607,565
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD	$ 28,598,525	155,024,471	-	183,622,996

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION (MHEAC)
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION (WHEF)

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	MHEAC	WHEF	Eliminations	Total
RECEIPTS (DISBURSEMENTS) IN CASH AND CASH EQUIVALENTS:				
Cash flows from operating activities:				
Interest on student loans	$ 3,291,109	-	-	3,291,109
Interest subsidy	925,436	-	-	925,436
Special allowance	322,605	-	-	322,605
Late fees	131,321	-	-	131,321
Program services revenue	-	979,820	(934,810)	45,010
Interest expense	(5,774,576)	-	-	(5,774,576)
Note fees	(57,582)	-	-	(57,582)
Program and support services	(1,492,289)	(4,465,797)	934,810	(5,023,276)
Interest and dividends	12,592	6,548	-	19,140
Investment management fees	-	(322,947)	-	(322,947)
Net cash used in operating activities	(2,641,384)	(3,802,376)	-	(6,443,760)
Cash flows from investing activities:				
Additions to equipment	-	(31,199)	-	(31,199)
Collection of student loan principal	35,090,098	-	-	35,090,098
Purchases of student loan principal	(2,145,232)	-	-	(2,145,232)
Proceeds from sale of investments	-	122,610,856	-	122,610,856
Purchases of investments	-	(118,689,322)	-	(118,689,322)
Net cash provided by investing activities	32,944,866	3,890,335	-	36,835,201
Cash flows from financing activities:				
Payments to redeem notes	(29,812,000)	-	-	(29,812,000)
Net cash used in financing activities	(29,812,000)	-	-	(29,812,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	491,482	87,959	-	579,441
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,544,348	3,451,584	-	6,995,932
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,035,830	3,539,543	-	7,575,373

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION (MHEAC)
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION (WHEF)

CONSOLIDATING STATEMENT OF CASH FLOWS - CONTINUED:
FOR THE YEAR ENDED DECEMBER 31, 2018

	MHEAC	WHEF	Eliminations	Total
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH USED IN OPERATING ACTIVITIES:				
Change in net assets without donor restrictions	$ 1,112,706	(5,097,275)	-	(3,984,569)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:				
Amortization and depreciation	630,207	57,831	-	688,038
Net realized and unrealized loss on investments	-	3,011,854	-	3,011,854
Capitalized interest on student loans	(3,945,752)	-	-	(3,945,752)
Dividends reinvested	-	(2,136,925)	-	(2,136,925)
Provision for loan losses	51,422	-	-	51,422
(Increase) decrease in interest and special allowance receivable	(492,441)	46,445	-	(445,996)
Decrease in other assets	-	19,785	-	19,785
Decrease in accounts payable	(18,272)	(24,621)	-	(42,893)
Increase in accrued interest payable	20,746	-	-	20,746
Increase in grants payable	-	320,530	-	320,530
Total adjustments	(3,754,090)	1,294,899	-	(2,459,191)
Net cash used in operating activities	$ (2,641,384)	(3,802,376)	-	(6,443,760)

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	Note Fund	General Fund	Eliminations	Total
ASSETS				
Cash and cash equivalents	$ 3,624,987	410,843	-	4,035,830
Investments	-	10,000,000	(10,000,000)	-
Student loans receivable	220,308,253	-	-	220,308,253
Interest and special allowance receivable	3,771,786	5,844	(5,844)	3,771,786
Other assets	4,375	-	-	4,375
Total assets	$ 227,709,401	10,416,687	(10,005,844)	228,120,244
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable and accrued expenses	$ 210,634	-	-	210,634
Accrued interest payable	112,161	-	(5,844)	106,317
Notes payable	210,204,000	-	(10,000,000)	200,204,000
Deferred cost of issuance less accumulated amortization	(999,232)	-	-	(999,232)
Total liabilities	209,527,563	-	(10,005,844)	199,521,719
NET ASSETS WITHOUT DONOR RESTRICTIONS	18,181,838	10,416,687	-	28,598,525
Total liabilities and net assets	$ 227,709,401	10,416,687	(10,005,844)	228,120,244

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

		Note Fund	General Fund	Eliminations	Total
REVENUE AND SUPPORT:					
Interest on student loans	$	6,962,333	51	-	6,962,384
Interest subsidy		900,129	-	-	900,129
Special allowance		784,163	-	-	784,163
Late fees		131,321	-	-	131,321
Total revenue and support		8,777,946	51	-	8,777,997
EXPENSES:					
Interest expense		6,097,011	-	(301,690)	5,795,321
Note fees		63,832	-	-	63,832
Amortization of deferred costs of issuance		277,210	-	-	277,210
Provision for loan losses		54,387	-	-	54,387
Program services expense		998,520	-	-	998,520
Support services expense		489,073	-	-	489,073
Total expenses		7,980,033	-	(301,690)	7,678,343
Net operating revenue		797,913	51	301,690	1,099,654
OTHER REVENUE:					
Interest and dividends		12,902	301,840	(301,690)	13,052
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		810,815	301,891	-	1,112,706
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD		17,443,523	10,042,296	-	27,485,819
TRANSFERS IN (OUT)		(72,500)	72,500	-	-
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD	$	18,181,838	10,416,687	-	28,598,525