MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 AND 2020

CONTENTS

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CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Mississippi Higher Education Assistance Corporation and subsidiary Woodward Hines Education Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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; 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.

Management's Responsibility for the Financial Statements - continued:

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mississippi Higher Education Assistance Corporation and subsidiary Woodward Hines Education Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Mississippi Higher Education Assistance Corporation and subsidiary Woodward Hines Education Foundation'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mississippi Higher Education Assistance Corporation and subsidiary Woodward Hines Education Foundation'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.

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
May 24, 2022

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

ASSETS

		2021	2020
Cash and cash equivalents	$	33,148,873	5,550,284
Restricted cash		4,206,290	3,496,736
Investments		188,354,383	179,764,524
Student loans receivable		158,676,759	178,187,073
Interest and special allowance receivable		3,697,973	3,607,875
Grant advances		668,700	277,306
Other assets		294,736	368,080
Total assets	$	389,047,714	371,251,878

LIABILITIES AND NET ASSETS

		2021	2020
LIABILITIES:			
Accounts payable and accrued expenses	$	662,201	524,885
Accrued interest payable		14,682	14,319
Grants payable		245,850	393,990
Notes payable		134,769,894	155,054,190
Total liabilities		135,692,627	155,987,384
NET ASSETS WITHOUT DONOR RESTRICTIONS		253,355,087	215,264,494
Total liabilities and net assets	$	389,047,714	371,251,878

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, 2021 AND 2020

		2021	2020
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:			
REVENUE AND SUPPORT:			
Student loan revenue	$	4,317,185	5,196,801
Other revenue		771,934	367,328
Total revenue and support		5,089,119	5,564,129
FUNCTIONAL EXPENSES:			
Program services:			
Student loans		1,967,850	3,104,402
College planning		3,420,997	2,966,597
Grants and programming		1,380,972	1,322,398
Total program services		6,769,819	7,393,397
Support services:			
Management and general		1,211,153	1,204,366
Total functional expenses		7,980,972	8,597,763
Net operating expense		(2,891,853)	(3,033,634)
OTHER REVENUE:			
Investment income		40,982,446	19,160,812
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		38,090,593	16,127,178
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD		215,264,494	199,137,316
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD	$	253,355,087	215,264,494

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, 2021 AND 2020**

		2021	2020
RECEIPTS (DISBURSEMENTS) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:			
Cash flows from operating activities:			
Cash received from student loans	$	1,017,379	2,239,322
Other cash received		800,195	394,681
Interest paid		(1,156,984)	(2,276,366)
Cash paid for program and support services		(7,053,157)	(6,753,215)
Interest and dividends received		107,108	17,986
Investment management fees paid		(296,165)	(286,131)
Net cash used in operating activities		(6,581,624)	(6,663,723)
Cash flows from investing activities:			
Additions to equipment		(34,797)	(264,111)
Collection of student loan principal		23,695,922	24,735,435
Purchases of student loan principal		(1,007,501)	(1,456,634)
Proceeds from sale of investments and distributions		188,596,236	27,847,924
Purchases of investments		(155,927,093)	(20,236,677)
Net cash provided by investing activities		55,322,767	30,625,937
Cash flows from financing activities:			
Payments to redeem notes		(20,433,000)	(21,723,000)
Net cash used in financing activities		(20,433,000)	(21,723,000)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		28,308,143	2,239,214
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD		9,047,020	6,807,806
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	$	37,355,163	9,047,020

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED:
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH USED IN OPERATING ACTIVITIES:		
Change in net assets without donor restrictions	$ 38,090,593	16,127,178
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Amortization and depreciation	513,905	595,655
Net realized and unrealized gain on investments	(40,241,476)	(19,319,575)
Capitalized interest on student loans	(3,478,174)	(3,548,940)
Dividends reinvested	(1,017,526)	(121,499)
Provision for loan losses	14,499	14,314
(Increase) decrease in interest and special allowance receivable	(90,098)	321,390
Increase in grant advances	(391,394)	(277,306)
Decrease in other assets	28,508	3,044
Increase (decrease) in accounts payable	137,316	(56,141)
Increase (decrease) in accrued interest payable	363	(58,753)
Decrease in grants payable	(148,140)	(343,090)
Total adjustments	(44,672,217)	(22,790,901)
Net cash used in operating activities	$ (6,581,624)	(6,663,723)

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

Principles of Consolidation

Because WHEF is a subsidiary supporting organization of MHEAC, accounting principles generally accepted in the United States (GAAP) require that the financial statements of MHEAC and WHEF (together, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Investments

The overall, long-term investment goal of the investment portfolio is to achieve an annualized total return (net of fees and expenses) of 5% plus inflation (as measured by the Consumer Price Index) to protect 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Student loan interest revenue is recognized as earned, net of consolidation rebate fees, government interest, special allowance interest, and amortization of origination costs and premiums.

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. The Company had unfunded commitments related to conditional grant agreements of $1,902,605 and $1,542,101 that were not included in grants payable as of December 31, 2021 and 2020, respectively.

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.

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 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 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Recent Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities, Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made.* This ASU intends to clarify and improve current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. As a resource recipient, the Company adopted a portion of this guidance effective January 1, 2019, with no impact to its consolidated financial statements. As a resource provider, the Company adopted the remaining guidance effective January 1, 2020 and applied changes on a modified prospective basis. Under this new guidance conditional grants are not recorded until grantees meet the terms of the conditions, resulting in a decrease in grants payable and grant expense in 2020.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.* This ASU intends to improve the effectiveness of disclosures about fair value measurements required under Accounting Standards Codification 820 by removing certain requirements, modifying certain requirements, and adding certain additional requirements. The Company adopted ASU 2018-13 on January 1, 2020. The adoption of ASU 2018-13 did not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* This ASU increases transparency and comparability among companies by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the standard, leased assets will be recorded as a right-of-use assets and liabilities will be recorded for future lease payments. The Company is required to adopt ASU 2016-02 in 2022 using a modified retrospective approach. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its consolidated financial statements.

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.

NOTE 3 - CASH AND CASH EQUIVALENTS - CONTINUED:

At December 31, 2021 and 2020, cash, cash equivalents, and restricted cash consisted of:

		2021	2020
Cash	$	2,551,275	2,553,883
Money market instruments		34,803,888	6,493,137
	$	37,355,163	9,047,020

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 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, 2021 and 2020:

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.

NOTE 4 - FAIR VALUE MEASUREMENTS - CONTINUED:

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.

The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as of December 31, 2021 and 2020:

	December 31, 2021			
	(Level 1)	(Level 2)	(Level 3)	Total
Public equity funds	$ 33,379,432	-	-	33,379,432
Alternative investment vehicles at net asset value				154,974,951
				$ 188,354,383

	December 31, 2020			
	(Level 1)	(Level 2)	(Level 3)	Total
Public equity funds	$ 7,242,044	-	-	7,242,044
Alternative investment vehicles at net asset value				172,522,480
				$ 179,764,524

There were unsettled trades of $23,059,553 and $17,939,088 as of December 31, 2021 and 2020, respectively. The receivable is reported in investments in the accompanying consolidated statements of financial position.

NOTE 4 - FAIR VALUE MEASUREMENTS - CONTINUED:

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, 2021	Unfunded Commitments	Remaining Life	Redemption Frequency	Redemption Notice
Investment in hedge funds	14,197,169	1,000,000	N/A	Monthly, Quarterly Semi-Annually, and 3-year	45-180 Days
Investment in private equity funds	97,765,852	8,287,500	5-9 Years	N/A	N/A
Investment in pooled investment funds	43,011,930	2,000,000	N/A	Daily, Semi-Monthly, and Quarterly	2-62 Days

	Fair Value December 31, 2020	Unfunded Commitments	Remaining Life	Redemption Frequency	Redemption Notice
Investment in hedge funds	24,486,269	N/A	N/A	Monthly and Semi-Annually	30-95 Days
Investment in private equity funds	74,395,771	17,100,000	6-10 Years	N/A	N/A
Investment in pooled investment funds	73,640,440	N/A	N/A	Daily, Monthly and Quarterly	5-60 Days

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

NOTE 5 - STUDENT LOANS RECEIVABLE - CONTINUED:

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, 2021 and 2020, approximately 75% and 76%, respectively, of the loans were subject to the 98% guarantee, with the remainder subject to the 97% guarantee.

At December 31, 2021 and 2020, student loans consisted of:

	2021	2020
Student loans receivable	$ 157,534,190	176,779,480
Unamortized premiums and origination costs	1,319,190	1,604,758
	158,853,380	178,384,238
Provision for loan losses	(176,621)	(197,165)
	$ 158,676,759	178,187,073

At December 31, 2021 and 2020, approximately 78% and 79%, respectively, of the student loans were Consolidation loans. Approximately 84% of the student loans were in repayment at December 31, 2021 and 2020. During the years ended December 31, 2021 and 2020, the average annual yield on student loans was approximately 2.55% and 2.77%, respectively.

NOTE 5 - STUDENT LOANS RECEIVABLE - CONTINUED:

At December 31, 2021 and 2020, 100% of the student loans were serviced by Navient Solutions, LLC.

NOTE 6 - OTHER ASSETS

At December 31, 2021 and 2020, other assets consisted of:

		2021	2020
Equipment, furniture and software	$	900,900	1,147,709
Accumulated depreciation		(719,434)	(920,577)
Net book value		181,466	227,132
Prepaid note fees		30,440	29,857
Miscellaneous		82,830	111,091
	$	294,736	368,080

NOTE 7 - NOTES PAYABLE

Notes payable, originally issued to financial institutions, 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 0.68%. The interest rate at December 31, 2021 and 2020, was 0.78% and 0.83%, respectively.

At December 31, 2021 and 2020, notes payable consisted of:

		2021	2020
Notes payable principal amount	$	135,204,000	155,637,000
Unamortized debt issuance costs		(434,106)	(582,810)
	$	134,769,894	155,054,190

During the years ended December 31, 2021 and 2020, the average annual expense rate for notes was approximately 0.94% and 1.49%, 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, 2021 and 2020, capitalized interest was approximately $3,478,000 and $3,549,000, respectively.

For the years ended December 31, 2021 and 2020, dividend income included approximately $1,018,000 and $121,000, 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 2021 and 2020, the match for the first 6% of an employee's eligible compensation contributed by the employee is 100%. For 2021 and 2020, the match was $123,523 and $126,915 respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Company leases office space from third parties under certain operating lease agreements with expiration dates through 2026. Rent expense under these agreements was $362,308 and $527,419 for the years ended December 31, 2021 and 2020, respectively. Minimum rental payments under non-cancellable operating leases having initial or remaining terms in excess of one year are as follows for the years ending December 31:

2022	$	353,072
2023		296,616
2024		255,200
2025		255,200
2026		348,700
Total	$	1,508,788

Periodically, the Company commits to making additional investments. At December 31, 2021 and 2020, the Company's unfunded commitments were $11,287,500 and $17,100,000, respectively.

During 2017, the Consumer Financial Protection Bureau (CFPB) and Attorneys General for the states of Illinois, Washington and Pennsylvania initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of Federal and State consumer

NOTE 10 - COMMITMENTS AND CONTINGENCIES - CONTINUED:

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 other states have initiated similar actions against Navient Corporation and certain subsidiaries alleging violations of various state and federal consumer protection laws. In January 2022, Navient entered into a series of Consent Judgments and Orders (the Agreements) with 40 state Attorneys General to resolve all matters in dispute related to the cases brought by the Attorneys General but does not resolve the litigation between Navient and the CFPB. The Agreements had no impact on the Company and any resolution of the pending litigation between Navient and the CFPB is not expected by management to 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 at December 31, 2021 and 2020:

		2021	2020
Financial assets at year-end	$	386,765,088	369,001,734
Less amounts unavailable for general expenditure within one year, due to:			
Amounts held under note fund		(165,261,196)	(183,684,705)
Amounts held in illiquid investments		(103,678,624)	(74,395,771)
Amounts committed to illiquid investments		(8,287,500)	(17,100,000)
Net financial assets available within one year	$	109,537,768	93,821,258

NOTE 12 - LIQUIDITY AND AVAILABILITY OF RESOURCES - CONTINUED:

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.

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, 2021 and 2020, is as follows:

	2021				
	Program Services			Support Services	
	Student Loans	College Planning	Grants and Programming	General & Administrative	Total Expenses
Interest	$ 1,306,052	-	-	-	1,306,052
Personnel cost	155,751	1,713,310	351,617	535,777	2,756,455
Loan servicing cost	386,110	-	-	-	386,110
Consulting and computer services	9,398	636,583	166,102	258,241	1,070,324
Occupancy expenses	14,511	299,069	22,142	35,549	371,271
Other expenses	94,897	545,866	87,589	141,624	869,976
Grants and scholarships	-	-	750,034	-	750,034
Programs	-	105,819	108	1,800	107,727
Insurance	1,131	61,299	1,318	111,183	174,931
Legal and accounting services	-	-	-	126,574	126,574
Travel	-	59,051	2,062	405	61,518
	$ 1,967,850	3,420,997	1,380,972	1,211,153	7,980,972

NOTE 13 - FUNCTIONAL EXPENSES - CONTINUED:

	2020				
	Program Services			Support Services	
	Student Loans	College Planning	Grants and Programming	General & Administrative	Total Expenses
Interest	$ 2,403,889	-	-	-	2,403,889
Personnel cost	145,506	1,649,848	320,389	520,116	2,635,859
Loan servicing cost	433,721	-	-	-	433,721
Consulting and computer services	7,469	350,526	165,584	212,760	736,339
Occupancy expenses	24,352	401,580	36,169	73,409	535,510
Other expenses	88,579	398,585	16,592	158,633	662,389
Grants and scholarships	-	127	781,726	750	782,603
Programs	-	87,708	-	10,828	98,536
Insurance	881	55,064	1,005	106,164	163,114
Legal and accounting services	-	-	-	116,461	116,461
Travel	5	23,159	933	5,245	29,342
	$ 3,104,402	2,966,597	1,322,398	1,204,366	8,597,763

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 had no subsequent events of a material nature requiring adjustment to or disclosure in the consolidated financial statements through May 24, 2022, the date the consolidated financial statements were approved by the Company's management and thereby available to be issued.

The Company has London Interbank Offered Rate (LIBOR) based notes that will be converted to another benchmark rate no later than June 30, 2023 due to the termination of LIBOR as a benchmark rate. While the ultimate impact is unknown, it isn't expected to be material to the Company's financial position or results of operations.

SUPPLEMENTARY INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS		MHEAC	WHEF	Eliminations	Total
Cash and cash equivalents	$	405,598	32,743,275	-	33,148,873
Restricted cash		4,206,290	-	-	4,206,290
Investments		-	188,354,383	-	188,354,383
Student loans receivable		158,676,759	-	-	158,676,759
Interest and special allowance receivable		3,697,337	636	-	3,697,973
Grant advances		-	668,700	-	668,700
Other assets		30,440	264,296	-	294,736
Total assets	$	167,016,424	222,031,290	-	389,047,714
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	$	149,450	512,751	-	662,201
Accrued interest payable		14,682	-	-	14,682
Grants payable		-	245,850	-	245,850
Notes payable		135,204,000	-	-	135,204,000
Deferred cost of issuance less accumulated amortization		(434,106)	-	-	(434,106)
Total liabilities		134,934,026	758,601	-	135,692,627
NET ASSETS WITHOUT DONOR RESTRICTIONS:					
Note fund		21,649,788	-	-	21,649,788
General fund		10,432,610	221,272,689	-	231,705,299
Total net assets without donor restrictions		32,082,398	221,272,689	-	253,355,087
Total liabilities and net assets	$	167,016,424	222,031,290	-	389,047,714

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

CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	MHEAC	WHEF	Eliminations	Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
REVENUE AND SUPPORT:				
Student loan revenue	$ 4,317,185	-	-	4,317,185
Other revenue	-	1,446,150	(674,216)	771,934
Total revenue and support	4,317,185	1,446,150	(674,216)	5,089,119
FUNCTIONAL EXPENSES:				
Program services:				
Student loans	2,116,803	386,499	(535,452)	1,967,850
College planning	-	3,420,997	-	3,420,997
Grants and programming	-	1,380,972	-	1,380,972
Total program services	2,116,803	5,188,468	(535,452)	6,769,819
Support services:				
Management and general	325,170	1,024,747	(138,764)	1,211,153
Total functional expenses	2,441,973	6,213,215	(674,216)	7,980,972
Net operating revenue (expense)	1,875,212	(4,767,065)	-	(2,891,853)
OTHER REVENUE (EXPENSE):				
Investment income (loss):				
Interest and dividends	(162)	1,123,211	-	1,123,049
Realized gain on investments	-	26,157,291	-	26,157,291
Unrealized gain on investments	-	14,084,185	-	14,084,185
Investment management fees	-	(382,079)	-	(382,079)
Total investment income (loss)	(162)	40,982,608	-	40,982,446
Total other revenue (expense)	(162)	40,982,608	-	40,982,446
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,875,050	36,215,543	-	38,090,593
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD	30,207,348	185,057,146	-	215,264,494
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD	$ 32,082,398	221,272,689	-	253,355,087

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

CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	MHEAC	WHEF	Eliminations	Total
RECEIPTS (DISBURSEMENTS) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:				
Cash flows from operating activities:				
Interest on student loans	$ 2,048,179	-	-	2,048,179
Interest subsidy	475,702	-	-	475,702
Special allowance	(1,593,459)	-	-	(1,593,459)
Late fees	86,957	-	-	86,957
Program services revenue	-	1,474,411	(674,216)	800,195
Interest expense	(1,156,984)	-	-	(1,156,984)
Note fees	(61,312)	-	-	(61,312)
Program and support services	(1,062,160)	(6,603,901)	674,216	(6,991,845)
Interest and dividends	(163)	107,271	-	107,108
Investment management fees	-	(296,165)	-	(296,165)
Net cash used in operating activities	(1,263,240)	(5,318,384)	-	(6,581,624)
Cash flows from investing activities:				
Additions to equipment	-	(34,797)	-	(34,797)
Collection of student loan principal	23,695,922	-	-	23,695,922
Purchases of student loan principal	(1,007,501)	-	-	(1,007,501)
Proceeds from sale of investments and distributions	-	188,596,236	-	188,596,236
Purchases of investments	-	(155,927,093)	-	(155,927,093)
Net cash provided by investing activities	22,688,421	32,634,346	-	55,322,767
Cash flows from financing activities:				
Payments to redeem notes	(20,433,000)	-	-	(20,433,000)
Net cash used in financing activities	(20,433,000)	-	-	(20,433,000)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	992,181	27,315,962	-	28,308,143
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD	3,619,707	5,427,313	-	9,047,020
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	$ 4,611,888	32,743,275	-	37,355,163

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, 2021

	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	$ 1,875,050	36,215,543	-	38,090,593
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:				
Amortization and depreciation	434,272	79,633	-	513,905
Net realized and unrealized gain on investments	-	(40,241,476)	-	(40,241,476)
Capitalized interest on student loans	(3,478,174)	-	-	(3,478,174)
Dividends reinvested	-	(1,017,526)	-	(1,017,526)
Provision for loan losses	14,499	-	-	14,499
(Increase) decrease in interest and special allowance receivable	(91,684)	1,586	-	(90,098)
Increase in grant advances	-	(391,394)	-	(391,394)
(Increase) decrease in other assets	(582)	29,090	-	28,508
Increase (decrease) in accounts payable	(16,984)	154,300	-	137,316
Decrease in grants payable	-	(148,140)	-	(148,140)
Increase in accrued interest payable	363	-	-	363
Total adjustments	(3,138,290)	(41,533,927)	-	(44,672,217)
Net cash used in operating activities	$ (1,263,240)	(5,318,384)	-	(6,581,624)

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

STATEMENT OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2021

	Note Fund	General Fund	Eliminations	Total
ASSETS				
Cash and cash equivalents	$ -	405,598	-	405,598
Restricted cash	4,206,290	-	-	4,206,290
Investments	-	10,000,000	(10,000,000)	-
Student loans receivable	158,676,759	-	-	158,676,759
Interest and special allowance receivable	3,697,337	1,530	(1,530)	3,697,337
Other assets	4,958	25,482	-	30,440
Total assets	$ 166,585,344	10,432,610	(10,001,530)	167,016,424
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable and accrued expenses	$ 149,450	-	-	149,450
Accrued interest payable	16,212	-	(1,530)	14,682
Notes payable	145,204,000	-	(10,000,000)	135,204,000
Deferred cost of issuance less accumulated amortization	(434,106)	-	-	(434,106)
Total liabilities	144,935,556	-	(10,001,530)	134,934,026
NET ASSETS WITHOUT DONOR RESTRICTIONS	21,649,788	10,432,610	-	32,082,398
Total liabilities and net assets	$ 166,585,344	10,432,610	(10,001,530)	167,016,424

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

STATEMENT OF ACTIVITIES BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note Fund	General Fund	Eliminations	Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
REVENUE AND SUPPORT:				
Interest on student loans	$ 5,241,026	-	-	5,241,026
Interest subsidy	564,680	-	-	564,680
Special allowance	(1,575,478)	-	-	(1,575,478)
Late fees	86,957	-	-	86,957
Total revenue and support	4,317,185	-	-	4,317,185
EXPENSES:				
Interest expense	1,269,069	-	(111,721)	1,157,348
Note fees	60,729	-	-	60,729
Amortization of deferred costs of issuance	148,704	-	-	148,704
Provision for loan losses	14,867	-	-	14,867
Program services expense	735,155	-	-	735,155
Support services expense	325,170	-	-	325,170
Total expenses	2,553,694	-	(111,721)	2,441,973
Net operating revenue	1,763,491	-	111,721	1,875,212
OTHER REVENUE (EXPENSE):				
Interest and dividends	177	111,382	(111,721)	(162)
Total other revenue (expense)	177	111,382	(111,721)	(162)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,763,668	111,382	-	1,875,050
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD	20,057,620	10,149,728	-	30,207,348
TRANSFERS IN (OUT)	(171,500)	171,500	-	-
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD	$ 21,649,788	10,432,610	-	32,082,398