MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021

CONTENTS

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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, 2022 and 2021, 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, 2022 and 2021, 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 on pages 23 through 28 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

Ridgeland, Mississippi
May 23, 2023

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

		2022	2021
Cash and cash equivalents	$	11,294,548	33,148,873
Restricted cash		5,681,401	4,206,290
Investments		188,426,094	188,354,383
Student loans receivable		127,153,392	158,676,759
Interest and special allowance receivable		4,262,938	3,697,973
Right-of-use assets, net		2,012,438	-
Grant advances		513,244	668,700
Other assets		406,660	294,736
Total assets	$	339,750,715	389,047,714

LIABILITIES AND NET ASSETS

		2022	2021
LIABILITIES:			
Accounts payable and accrued expenses	$	977,206	662,201
Operating lease liabilities		2,014,127	-
Accrued interest payable		73,511	14,682
Grants payable		-	245,850
Notes payable		104,104,943	134,769,894
Total liabilities		107,169,787	135,692,627
NET ASSETS WITHOUT DONOR RESTRICTIONS		232,580,928	253,355,087
Total liabilities and net assets	$	339,750,715	389,047,714

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, 2022 AND 2021

		2022	2021
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:			
REVENUE AND SUPPORT:			
Student loan revenue	$	5,536,520	4,317,185
Other revenue		654,714	771,934
Total revenue and support		6,191,234	5,089,119
FUNCTIONAL EXPENSES:			
Program services:			
Student loans		3,610,202	1,967,850
College planning		3,280,952	3,420,997
Grants and programming		1,710,584	1,380,972
Total program services		8,601,738	6,769,819
Support services:			
Management and general		1,365,209	1,211,153
Total functional expenses		9,966,947	7,980,972
Net operating expense		(3,775,713)	(2,891,853)
OTHER REVENUE (EXPENSE):			
Net investment income (loss)		(16,998,446)	40,982,446
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		(20,774,159)	38,090,593
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD		253,355,087	215,264,494
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD	$	232,580,928	253,355,087

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, 2022 AND 2021

		2022	2021
RECEIPTS (DISBURSEMENTS) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:			
Cash flows from operating activities:			
Cash received from student loans	$	1,912,814	1,017,379
Other cash received		633,647	800,195
Interest paid		(2,788,800)	(1,156,984)
Cash paid for program and support services		(7,029,442)	(7,053,157)
Interest and dividends received		164,444	107,108
Investment management fees paid		(519,534)	(296,165)
Net cash used in operating activities		(7,626,871)	(6,581,624)
Cash flows from investing activities:			
Additions to equipment		(42,057)	(34,797)
Collection of student loan principal		36,315,041	23,695,922
Purchases of student loan principal		(1,731,065)	(1,007,501)
Proceeds from sale of investments and distributions		37,089,621	188,596,236
Purchases of investments		(53,600,883)	(155,927,093)
Net cash provided by investing activities		18,030,657	55,322,767
Cash flows from financing activities:			
Payments to redeem notes		(30,783,000)	(20,433,000)
Net cash used in financing activities		(30,783,000)	(20,433,000)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		(20,379,214)	28,308,143
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD		37,355,163	9,047,020
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	$	16,975,949	37,355,163
RIGHT-OF-USE ASSETS ACQUIRED IN EXCHANGE FOR LEASE LIABILITIES	$	2,335,994	-

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED: FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH USED IN OPERATING ACTIVITIES:		
Change in net assets without donor restrictions	$ (20,774,159)	38,090,593
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Amortization and depreciation	444,981	513,905
Net realized and unrealized (gain) loss on investments	16,828,935	(40,241,476)
Capitalized interest on student loans	(3,332,112)	(3,478,174)
Dividends reinvested	(389,385)	(1,017,526)
Provision for loan losses	10,493	14,499
Increase in interest and special allowance receivable	(564,965)	(90,098)
Decrease in right-of-use assets	1,689	-
(Increase) decrease in grant advances	155,456	(391,394)
(Increase) decrease in other assets	(135,788)	28,508
Increase in accounts payable	315,005	137,316
Increase in accrued interest payable	58,829	363
Decrease in grants payable	(245,850)	(148,140)
Total adjustments	13,147,288	(44,672,217)
Net cash used in operating activities	$ (7,626,871)	(6,581,624)

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 loans receivable 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.

Leases

Effective January 1, 2022, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases.* The new standard establishes a right-of-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Leases - continued:

use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating with classification affecting the pattern of expense recognition in the income statements. Leases with a term of less than 12 months will not record an ROU asset and lease liability and the payments will be expensed on a straight-line basis over the lease term.

The Company elected to adopt ASC 842 using the optional transition method that allows the Company to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. As a result, the Company reporting for the comparative period presented in the financial statements is in accordance with FASB ASC 840.

The Company elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Company also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the ROU assets.

The adoption of FASB ASC 842 resulted in the recognition of ROU assets and operating liabilities of $2,335,994 as of January 1, 2022. The adoption of FASB ASC 842 did not have a material impact on the Company's results of operations or cash flows.

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Revenue and Revenue Recognition - continued:

recognized when cash, 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 $1,915,017 and $1,902,605 that were not included in grants payable as of December 31, 2022 and 2021, 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 Pronouncement

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Credit Losses*. The new guidance requires organizations to measure all credit losses for financial instruments held at the reportable date based on historical experience, current conditions and reasonable and supportable forecasts. The standard is effective for the Company for the year ending December 31, 2023. The Company is currently evaluating the impact the new standard will have on its consolidated financial statements but does not expect the impact to be material.

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, 2022 and 2021, cash, cash equivalents and restricted cash consisted of:

	2022	2021
Cash	$ 14,139	2,551,275
Money market instruments	16,961,810	34,803,888
	$ 16,975,949	37,355,163

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).

NOTE 4 - FAIR VALUE MEASUREMENTS - CONTINUED:

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, 2022 and 2021:

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.

The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as of December 31, 2022 and 2021:

	December 31, 2022			
	(Level 1)	(Level 2)	(Level 3)	Total
Public equity funds	$ 25,523,059	-	-	25,523,059
Alternative investment vehicles at net asset value				162,903,035
				$ 188,426,094

NOTE 4 - FAIR VALUE MEASUREMENTS - CONTINUED:

	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

There were unsettled trades of $615,943 and $23,059,553 as of December 31, 2022 and 2021, respectively. The receivable is reported in investments in the accompanying consolidated statements of financial position.

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, 2022	Unfunded Commitments	Remaining Life	Redemption Frequency	Redemption Notice
Investment in hedge funds	14,559,576	-	N/A	Monthly, Quarterly Semi-Annually, and 3-year	45-180 Days
Investment in private equity funds	89,710,358	10,277,575	4-10 Years	N/A	N/A
Investment in pooled investment funds	58,633,101	1,563,415	N/A	Daily, Semi-Monthly, and Quarterly	2-62 Days

	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

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, 2022 and 2021, approximately 74% and 75%, 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, 2022 and 2021, student loans consisted of:

	2022	2021
Student loans receivable	$ 126,237,152	157,534,190
Unamortized premiums and origination costs	1,058,180	1,319,190
	127,295,332	158,853,380
Provision for loan losses	(141,940)	(176,621)
	$ 127,153,392	158,676,759

At December 31, 2022 and 2021, approximately 76% and 78%, respectively, of the student loans were Consolidation loans. Approximately 82% and 84% of the student loans were in repayment at December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, the average annual yield on student loans was approximately 3.80% and 2.55%, respectively.

At December 31, 2022 and 2021, 100% of the student loans were serviced by Navient Solutions, LLC.

NOTE 6 - LEASE COMMITMENTS

The Company adopted the new lease accounting standard effective January 1, 2022. The Company's financial results for reporting periods beginning on or after January 1, 2022, are presented under the new standard, while financial results for prior periods continue to be reported in accordance with the prior standard and the Company's historical accounting policy.

The Company leases three offices in Mississippi; its administrative offices in Jackson and offices in Southaven and Ocean Springs in order to provide accessibility to services across the state.

The Jackson office lease has a term of ten years ending on December 31, 2029, but has an option to cancel the lease at the end of year seven by providing no less than nine-months' notice and paying a termination fee. The lease does not have an implicit rate and therefore, the Company elected a practical expedient under ASU 2016-02 to use the risk-free rate, 1.47% as of January 1, 2022, to calculate the present value of future minimum lease payments and therefore record the ROU operating lease asset and operating lease liability.

NOTE 6 - LEASE COMMITMENTS - CONTINUED:

The Southaven office lease has a term of two years ending on May 31, 2023, the renewal of which was not automatic. The lease does not have an implicit rate and therefore, the Company elected a practical expedient under ASU 2016-02 to use the risk-free rate, 0.532% as of January 1, 2022, to calculate the present value of future minimum lease payments and therefore record the ROU operating lease asset and operating lease liability. In May 2023, the Company renewed the lease for a three-year period ending May 31, 2026.

The Ocean Springs office lease has a term of two years ending on May 31, 2023, with an automatic renewal option for additional three-year periods with a fixed percentage increase in the monthly rent upon each renewal. In its strategic planning, the Company forecasts the continued renewal of the lease and therefore the original term of the lease used to calculate the future minimum lease payments included the original lease and two renewals, a period of eighty-nine months. The lease does not have an implicit rate and therefore, the Company elected a practical expedient under ASU 2016-02 to use the risk-free rate, 1.45% as of January 1, 2022, to calculate the present value of future minimum lease payments and therefore record the ROU operating lease asset and operating lease liability.

The weighted average of the remaining term of the leases is 6.84 years as of December 31, 2022, and the weighted average discount rate is 1.46%.

Future minimum lease payments under the non-cancellable leases as of December 31, 2022, are as follows:

2023	$	323,603
2024		302,552
2025		302,552
2026		303,378
2027		303,968
Thereafter		579,486
Total minimum lease payments		2,115,539
Less: Imputed interest		(101,412)
Total lease liabilities	$	2,014,127

Total lease expense under these agreements was $354,761 and $362,308 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 - OTHER ASSETS

At December 31, 2022 and 2021, other assets consisted of:

		2022	2021
Equipment, furniture and software	$	771,058	900,900
Accumulated depreciation		(613,935)	(719,434)
Net book value		157,123	181,466
Prepaid note fees		30,440	30,440
Miscellaneous		219,097	82,830
	$	406,660	294,736

NOTE 8 - 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, 2022 and 2021, was 5.07% and 0.78%, respectively.

At December 31, 2022 and 2021, notes payable consisted of:

		2022	2021
Notes payable principal amount	$	104,421,000	135,204,000
Unamortized debt issuance costs		(316,057)	(434,106)
	$	104,104,943	134,769,894

During the years ended December 31, 2022 and 2021, the average annual expense rate for notes was approximately 2.49% and 0.94%, respectively.

NOTE 9 - 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, 2022 and 2021, capitalized interest was approximately $3,332,000 and $3,478,000, respectively.

NOTE 9 - SUPPLEMENTAL INFORMATION ON NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES - CONTINUED:

For the years ended December 31, 2022 and 2021, dividend income included approximately $389,000 and $1,018,000, respectively, which was reinvested.

NOTE 10 - 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 2022 and 2021, the match for the first 6% of an employee's eligible compensation contributed by the employee is 100%. For 2022 and 2021, the match was $120,361 and $123,523 respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Periodically, the Company commits to making additional investments. At December 31, 2022 and 2021, the Company's unfunded commitments were $11,840,990 and $11,287,500, 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 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 12 - 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 13 - 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, 2022 and 2021:

		2022	2021
Financial assets at year-end	$	335,760,193	386,765,088
Less amounts unavailable for general expenditure within one year, due to:			
Amounts held under note fund		(136,002,743)	(165,261,196)
Amounts held in illiquid investments		(92,964,557)	(103,678,624)
Amounts committed to illiquid investments		(10,277,575)	(8,287,500)
Net financial assets available within one year	$	96,515,318	109,537,768

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.

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 - FUNCTIONAL EXPENSES

Functional expense allocation for the years ended December 31, 2022 and 2021, is as follows:

	2022				
	Program Services			Support Services	
	Student Loans	College Planning	Grants and Programming	General & Administrative	Total Expenses
Interest	$ 2,965,678	-	-	-	2,965,678
Personnel cost	163,650	1,635,578	351,232	537,009	2,687,469
Loan servicing cost	362,960	-	-	-	362,960
Consulting and computer services	8,458	482,619	156,257	433,429	1,080,763
Occupancy expenses	14,833	294,698	22,449	33,905	365,885
Other expenses	93,276	518,931	22,457	137,589	772,253
Grants and scholarships	-	-	1,152,644	-	1,152,644
Programs	-	167,064	-	-	167,064
Insurance	1,347	62,432	1,564	109,840	175,183
Legal and accounting services	-	-	-	111,744	111,744
Travel	-	119,630	3,981	1,693	125,304
	$ 3,610,202	3,280,952	1,710,584	1,365,209	9,966,947

	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 14 - FUNCTIONAL EXPENSES - CONTINUED:

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 15 - SUBSEQUENT EVENTS

The Company had no subsequent events of a material nature requiring adjustment to or disclosure in the consolidated financial statements through May 23, 2023, the date the consolidated financial statements were approved by the Company's management and thereby available to be issued.

To address the June 30, 2023, cessation of the remaining U.S. dollar settings for LIBOR, Congress passed the Adjustable Interest Rate (LIBOR) Act on March 15, 2022. The Board of Governors of the Federal Reserve issued its final rule to implement the LIBOR Act effective February 27, 2023. The final rule establishes specific benchmark replacement conforming changes which become an integral part of LIBOR contracts. Under the LIBOR Act and the related implementation rules, in place of one-month LIBOR, the Company's benchmark replacement will be the 30-day average Secured Overnight Financing Rate plus a tenor spread adjustment of .11448%. This benchmark replacement will be used in place of one-month LIBOR in both the calculation of the SAP rate for the Company's FFELP loans and the calculation of the interest rate on the Company's Notes. Management does not expect this to have a material impact on 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, 2022

ASSETS		MHEAC	WHEF	Eliminations	Total
Cash and cash equivalents	$	242,696	11,051,852	-	11,294,548
Restricted cash		5,681,401	-	-	5,681,401
Investments		-	188,426,094	-	188,426,094
Student loans receivable		127,153,392	-	-	127,153,392
Interest and special allowance receivable		4,226,130	36,808	-	4,262,938
Right-of use assets, net		-	2,012,438	-	2,012,438
Grant advances		-	513,244	-	513,244
Other assets		30,441	376,219	-	406,660
Total assets	$	137,334,060	202,416,655	-	339,750,715
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	$	122,374	854,832	-	977,206
Operating lease liabilities		-	2,014,127	-	2,014,127
Accrued interest payable		73,511	-	-	73,511
Notes payable		104,421,000	-	-	104,421,000
Deferred cost of issuance less accumulated amortization		(316,057)	-	-	(316,057)
Total liabilities		104,300,828	2,868,959	-	107,169,787
NET ASSETS WITHOUT DONOR RESTRICTIONS:					
Note fund		22,757,570	-	-	22,757,570
General fund		10,275,662	199,547,696	-	209,823,358
Total net assets without donor restrictions		33,033,232	199,547,696	-	232,580,928
Total liabilities and net assets	$	137,334,060	202,416,655	-	339,750,715

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

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	MHEAC	WHEF	Eliminations	Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
REVENUE AND SUPPORT:				
Student loan revenue	$ 5,536,520	-	-	5,536,520
Other revenue	-	1,237,981	(583,267)	654,714
Total revenue and support	5,536,520	1,237,981	(583,267)	6,191,234
FUNCTIONAL EXPENSES:				
Program services:				
Student loans	3,712,206	390,791	(492,795)	3,610,202
College planning	-	3,280,952	-	3,280,952
Grants and programming	-	1,710,584	-	1,710,584
Total program services	3,712,206	5,382,327	(492,795)	8,601,738
Support services:				
Management and general	274,162	1,181,519	(90,472)	1,365,209
Total functional expenses	3,986,368	6,563,846	(583,267)	9,966,947
Net operating revenue (expense)	1,550,152	(5,325,865)	-	(3,775,713)
OTHER REVENUE (EXPENSE):				
Net investment income (loss):				
Interest and dividends	682	589,334	-	590,016
Realized loss on investments	-	(1,721,793)	-	(1,721,793)
Unrealized loss on investments	-	(15,107,142)	-	(15,107,142)
Investment management fees	-	(759,527)	-	(759,527)
Total net investment income (loss)	682	(16,999,128)	-	(16,998,446)
Donations	(600,000)	600,000	-	-
Total other revenue (expense)	(599,318)	(16,399,128)	-	(16,998,446)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	950,834	(21,724,993)	-	(20,774,159)
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD	32,082,398	221,272,689	-	253,355,087
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD	$ 33,033,232	199,547,696	-	232,580,928

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

CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

	MHEAC	WHEF	Eliminations	Total
RECEIPTS (DISBURSEMENTS) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:				
Cash flows from operating activities:				
Interest on student loans	$ 1,922,555	-	-	1,922,555
Interest subsidy	552,121	-	-	552,121
Special allowance	(670,946)	-	-	(670,946)
Late fees	109,084	-	-	109,084
Program services revenue	-	1,216,914	(583,267)	633,647
Interest expense	(2,788,800)	-	-	(2,788,800)
Note fees	(63,515)	-	-	(63,515)
Program and support services	(949,931)	(6,599,263)	583,267	(6,965,927)
Interest and dividends	665	163,779	-	164,444
Investment management fees	-	(519,534)	-	(519,534)
Donations	(600,000)	600,000	-	-
Net cash used in operating activities	(2,488,767)	(5,138,104)	-	(7,626,871)
Cash flows from investing activities:				
Additions to equipment	-	(42,057)	-	(42,057)
Collection of student loan principal	36,315,041	-	-	36,315,041
Purchases of student loan principal	(1,731,065)	-	-	(1,731,065)
Proceeds from sale of investments and distributions	-	37,089,621	-	37,089,621
Purchases of investments	-	(53,600,883)	-	(53,600,883)
Net cash provided by (used in) investing activities	34,583,976	(16,553,319)	-	18,030,657
Cash flows from financing activities:				
Payments to redeem notes	(30,783,000)	-	-	(30,783,000)
Net cash used in financing activities	(30,783,000)	-	-	(30,783,000)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,312,209	(21,691,423)	-	(20,379,214)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD	4,611,888	32,743,275	-	37,355,163
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	$ 5,924,097	11,051,852	-	16,975,949
RIGHT-OF-USE ASSETS ACQUIRED IN EXCHANGE FOR LEASE LIABILITIES	$ -	2,335,994	-	2,335,994

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, 2022

	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	$ 950,834	(21,724,993)	-	(20,774,159)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:				
Amortization and depreciation	379,058	65,923	-	444,981
Net realized and unrealized loss on investments	-	16,828,935	-	16,828,935
Capitalized interest on student loans	(3,332,112)	-	-	(3,332,112)
Dividends reinvested	-	(389,385)	-	(389,385)
Provision for loan losses	10,493	-	-	10,493
Increase in interest and special allowance receivable	(528,792)	(36,173)	-	(564,965)
Decrease in right-of-use assets	-	1,689	-	1,689
Decrease in grant advances	-	155,456	-	155,456
Increase in other assets	-	(135,788)	-	(135,788)
Increase (decrease) in accounts payable	(27,077)	342,082	-	315,005
Increase in accrued interest payable	58,829	-	-	58,829
Decrease in grants payable	-	(245,850)	-	(245,850)
Total adjustments	(3,439,601)	16,586,889	-	13,147,288
Net cash used in operating activities	$ (2,488,767)	(5,138,104)	-	(7,626,871)

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

STATEMENT OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2022

		Note Fund	General Fund	Eliminations	Total
ASSETS					
Cash and cash equivalents	$	-	242,696	-	242,696
Restricted cash		5,681,401	-	-	5,681,401
Investments		-	10,000,000	(10,000,000)	-
Student loans receivable		127,153,392	-	-	127,153,392
Interest and special allowance receivable		4,226,130	7,484	(7,484)	4,226,130
Other assets		4,959	25,482	-	30,441
Total assets	$	137,065,882	10,275,662	(10,007,484)	137,334,060
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	$	122,374	-	-	122,374
Accrued interest payable		80,995	-	(7,484)	73,511
Notes payable		114,421,000	-	(10,000,000)	104,421,000
Deferred cost of issuance less accumulated amortization		(316,057)	-	-	(316,057)
Total liabilities		114,308,312	-	(10,007,484)	104,300,828
NET ASSETS WITHOUT DONOR RESTRICTIONS		22,757,570	10,275,662	-	33,033,232
Total liabilities and net assets	$	137,065,882	10,275,662	(10,007,484)	137,334,060

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

STATEMENT OF ACTIVITIES BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note Fund	General Fund	Eliminations	Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
REVENUE AND SUPPORT:				
Interest on student loans	$ 4,737,842	-	-	4,737,842
Interest subsidy	318,805	-	-	318,805
Special allowance	370,789	-	-	370,789
Late fees	109,084	-	-	109,084
Total revenue and support	5,536,520	-	-	5,536,520
EXPENSES:				
Interest expense	3,122,110	-	(274,481)	2,847,629
Note fees	63,515	-	-	63,515
Amortization of deferred costs of issuance	118,049	-	-	118,049
Provision for loan losses	10,948	-	-	10,948
Program services expense	672,065	-	-	672,065
Support services expense	274,162	-	-	274,162
Total expenses	4,260,849	-	(274,481)	3,986,368
Net operating revenue	1,275,671	-	274,481	1,550,152
OTHER REVENUE (EXPENSE):				
Interest and dividends	240	274,923	(274,481)	682
Donations	-	(600,000)	-	(600,000)
Total other revenue (expense)	240	(325,077)	(274,481)	(599,318)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,275,911	(325,077)	-	950,834
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD	21,649,788	10,432,610	-	32,082,398
TRANSFERS IN (OUT)	(168,129)	168,129	-	-
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD	$ 22,757,570	10,275,662	-	33,033,232