

**MISSISSIPPI HIGHER EDUCATION  
ASSISTANCE CORPORATION  
AND  
SUBSIDIARY WOODWARD HINES  
EDUCATION FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2020 AND 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying consolidated financial statements of Mississippi Higher Education Assistance Corporation (a nonprofit organization) and subsidiary Woodward Hines Education Foundation which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

**Auditor's Responsibility - continued:**

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Higher Education Assistance Corporation and subsidiary Woodward Hines Education Foundation, as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

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

*Haddox Reid Eubank Batts PLLC*

Jackson, Mississippi  
June 17, 2021

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION  
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

**ASSETS**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Cash and cash equivalents	\$ 5,550,284	3,345,326
Restricted cash	3,496,736	3,462,480
Investments	179,764,524	167,934,697
Student loans receivable	178,187,073	198,240,303
Interest and special allowance receivable	3,607,875	3,929,265
Grant advances	277,306	-
Other assets	<u>368,080</u>	<u>207,336</u>
 Total assets	 \$ <u>371,251,878</u>	 <u>377,119,407</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Accounts payable and accrued expenses	\$ 524,885	581,026
Accrued interest payable	14,319	73,072
Grants payable	393,990	737,080
Notes payable	<u>155,054,190</u>	<u>176,590,913</u>
 Total liabilities	 155,987,384	 177,982,091
 <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	 <u>215,264,494</u>	 <u>199,137,316</u>
 Total liabilities and net assets	 \$ <u>371,251,878</u>	 <u>377,119,407</u>

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, 2020 AND 2019**

	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
<b>REVENUE AND SUPPORT:</b>		
Student loan revenue	\$ 5,196,801	8,272,548
Other revenue	<u>367,328</u>	<u>20,151</u>
Total revenue and support	<u>5,564,129</u>	<u>8,292,699</u>
<b>FUNCTIONAL EXPENSES:</b>		
Program services:		
Student loans	3,104,402	6,650,289
College planning	2,966,597	2,760,734
Grants and programming	<u>1,322,398</u>	<u>574,038</u>
Total program services	7,393,397	9,985,061
Support services:		
Management and general	<u>1,204,366</u>	<u>1,095,134</u>
Total functional expenses	<u>8,597,763</u>	<u>11,080,195</u>
Net operating expense	(3,033,634)	(2,787,496)
<b>OTHER REVENUE:</b>		
Investment income	<u>19,160,812</u>	<u>18,301,816</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	16,127,178	15,514,320
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD</b>	<u>199,137,316</u>	<u>183,622,996</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD</b>	\$ <u>215,264,494</u>	<u>199,137,316</u>

The accompanying notes are an integral part of these statements.

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION  
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**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>RECEIPTS (DISBURSEMENTS) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:</b>		
Cash flows from operating activities:		
Cash received from student loans	\$ 2,239,322	5,040,264
Other cash received (paid)	394,681	(106,651)
Interest paid	(2,276,366)	(5,679,222)
Cash paid for program and support services	(6,753,215)	(5,324,535)
Interest and dividends received	17,986	74,405
Investment management fees paid	<u>(286,131)</u>	<u>(311,239)</u>
Net cash used in operating activities	<u>(6,663,723)</u>	<u>(6,306,978)</u>
Cash flows from investing activities:		
Additions to equipment	(264,111)	(41,167)
Collection of student loan principal	24,735,435	28,228,955
Purchases of student loan principal	(1,456,634)	(3,121,437)
Proceeds from sale of investments and distributions	27,847,924	40,255,006
Purchases of investments	<u>(20,236,677)</u>	<u>(36,937,946)</u>
Net cash provided by investing activities	<u>30,625,937</u>	<u>28,383,411</u>
Cash flows from financing activities:		
Payments to redeem notes	<u>(21,723,000)</u>	<u>(22,844,000)</u>
Net cash used in financing activities	<u>(21,723,000)</u>	<u>(22,844,000)</u>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>\$ 2,239,214</b>	<b>(767,567)</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD</b>	<b><u>6,807,806</u></b>	<b><u>7,575,373</u></b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD</b>	<b>\$ <u>9,047,020</u></b>	<b><u>6,807,806</u></b>

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION  
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**CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED:  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Change in net assets without donor restrictions	\$ <u>16,127,178</u>	<u>15,514,320</u>
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Amortization and depreciation	595,655	603,405
Net realized and unrealized gain on investments	(19,319,575)	(18,344,086)
Capitalized interest on student loans	(3,548,940)	(3,408,785)
Dividends reinvested	(121,499)	(193,701)
Provision for loan losses	14,314	37,701
(Increase) decrease in interest and special allowance receivable	321,390	(150,714)
Increase in grant advances	(277,306)	-
(Increase) decrease in other assets	3,044	(126,803)
Increase (decrease) in accounts payable	(56,141)	36,130
Decrease in accrued interest payable	(58,753)	(33,245)
Decrease in grants payable	<u>(343,090)</u>	<u>(241,200)</u>
Total adjustments	<u>(22,790,901)</u>	<u>(21,821,298)</u>
Net cash used in operating activities	\$ <u><u>(6,663,723)</u></u>	<u><u>(6,306,978)</u></u>

The accompanying notes are an integral part of these statements.



**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, U.S. generally accepted accounting principles (GAAP) require that the financial statements of MHEAC and WHEF (the Company) be consolidated. Material intercompany transactions and balances have been eliminated in the consolidated financial statements.

Basis of Presentation

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

Cash and Cash Equivalents

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:**

Investments

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

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

Investment transactions are recorded on their trade dates.

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.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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.

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**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. The Company had unfunded commitments related to conditional grant agreements of \$1,542,101 that were not included in grants payable as of December 31, 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. Early adoption is permitted. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements nor has the method of adoption been determined by management of the Company.

**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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 3 - CASH AND CASH EQUIVALENTS - CONTINUED:**

At December 31, 2020 and 2019, cash, cash equivalents, and restricted cash consisted of:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,553,883	44,035
Money market instruments	<u>6,493,137</u>	<u>6,763,771</u>
	\$ <u>9,047,020</u>	<u>6,807,806</u>

**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, 2020 and 2019:

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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**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, 2020 and 2019:

		December 31, 2020			
		(Level 1)	(Level 2)	(Level 3)	Total
Public equity funds	\$	<u>7,242,044</u>	<u>-</u>	<u>-</u>	7,242,044
Alternative investment vehicles at net asset value					<u>172,522,480</u>
	\$				<u>179,764,524</u>
		December 31, 2019			
		(Level 1)	(Level 2)	(Level 3)	Total
Public equity funds	\$	<u>13,598,686</u>	<u>-</u>	<u>-</u>	13,598,686
Alternative investment vehicles at net asset value					<u>154,336,011</u>
	\$				<u>167,934,697</u>

There were unsettled trades of \$17,939,088 as of December 31, 2020. The receivable is reported in investments in the accompanying consolidated statement of financial position.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**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:

	<b>Fair Value December 31, 2020</b>	<b>Unfunded Commitments</b>	<b>Remaining Life</b>	<b>Redemption Frequency</b>	<b>Redemption Notice</b>
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
	<b>Fair Value December 31, 2019</b>	<b>Unfunded Commitments</b>	<b>Remaining Life</b>	<b>Redemption Frequency</b>	<b>Redemption Notice</b>
Investment in hedge funds	29,374,087	N/A	N/A	Monthly and Semi-Annually	30-95 Days
Investment in private equity funds	57,966,065	23,600,000	7-11 Years	N/A	N/A
Investment in pooled investment funds	66,995,859	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



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 5 - STUDENT LOANS RECEIVABLE - CONTINUED:**

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, 2020 and 2019, approximately 76% and 76%, respectively, of the loans were subject to the 98% guarantee, with the remainder subject to the 97% guarantee.

At December 31, 2020 and 2019, student loans consisted of:

	<u>2020</u>	<u>2019</u>
Student loans receivable	\$ 176,779,480	196,545,324
Unamortized premiums and origination costs	<u>1,604,758</u>	<u>1,913,812</u>
	178,384,238	198,459,136
Provision for loan losses	<u>(197,165)</u>	<u>(218,833)</u>
	<u>\$ 178,187,073</u>	<u>198,240,303</u>



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 5 - STUDENT LOANS RECEIVABLE - CONTINUED:**

At December 31, 2020 and 2019, approximately 79% and 79%, respectively, of the student loans were Consolidation loans and approximately 84% and 85%, respectively, of the student loans were in repayment. During the years ended December 31, 2020 and 2019, the average annual yield on student loans was approximately 2.77% and 3.95%, respectively.

At December 31, 2020 and 2019, 100% of the student loans were serviced by Navient Solutions, LLC.

**NOTE 6 - OTHER ASSETS**

At December 31, 2020 and 2019, other assets consisted of:

	<u>2020</u>	<u>2019</u>
Equipment, furniture and software	\$ 1,147,709	940,539
Accumulated depreciation	<u>(920,577)</u>	<u>(876,021)</u>
Net book value	227,132	64,518
Prepaid note fees	29,857	4,375
Miscellaneous	<u>111,091</u>	<u>138,443</u>
	<u>\$ 368,080</u>	<u>207,336</u>

**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 .68%. The interest rate at December 31, 2020 and 2019 was .83% and 2.47%, respectively.

At December 31, 2020 and 2019, notes payable consisted of:

	<u>2020</u>	<u>2019</u>
Notes payable principal amount	\$ 155,637,000	177,360,000
Unamortized debt issuance costs	<u>(582,810)</u>	<u>(769,087)</u>
	<u>\$ 155,054,190</u>	<u>176,590,913</u>

During the years ended December 31, 2020 and 2019, the average annual expense rate for notes was approximately 1.49% and 3.15%, respectively.

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION  
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019, capitalized interest was approximately \$3,549,000 and \$3,409,000, respectively.

For the years ended December 31, 2020 and 2019, dividend income included approximately \$121,000 and \$194,000, 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 2020 and 2019, the match for the first 6% of an employee's eligible compensation contributed by the employee is 100%. For 2020 and 2019, the match was \$126,915 and \$121,509, 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 \$527,419 and \$273,623 for the years ended December 31, 2020 and 2019, 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:

2021	\$	307,622
2022		301,172
2023		274,355
2024		255,200
2025		255,200
2026		<u>348,700</u>
Total	\$	<u><u>1,742,249</u></u>

Periodically, the Company commits to making additional investments. At December 31, 2020 and 2019, the Company's unfunded commitments were \$17,100,000 and \$23,600,000, respectively.

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES - CONTINUED:**

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

During 2017, the CFPB and Attorneys General for the 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 the states of California and Mississippi have initiated similar actions against Navient Corporation and certain subsidiaries alleging violations of various state and federal consumer protection laws. Navient in its 2020 financial statements states it believes the suits improperly seek to impose penalties on Navient based on new, unannounced standards applied retroactively only against one servicer, and that the allegations are false. Navient intends to vigorously defend against the allegations in each of these cases. Management does not believe the resolution of this matter will have a material adverse effect on the Company.

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

On March 11, 2020 the World Health Organization declared the outbreak of a novel coronavirus as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The Company continues to monitor the changes in its operations as a result of COVID-19. There is uncertainty about the duration, and as a result, the Company is unable to estimate the potential impact on its operations.

**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

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED:**

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$ 369,001,734	374,998,259
Less amounts unavailable for general expenditure within one year, due to:		
Amounts held under note fund	(183,684,705)	(203,692,807)
Amounts held in illiquid investments	(74,395,771)	(57,966,065)
Amounts committed to illiquid investments	<u>(17,100,000)</u>	<u>(23,600,000)</u>
Net financial assets available within one year	\$ <u>93,821,258</u>	<u>89,739,387</u>

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  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 13 - FUNCTIONAL EXPENSES**

Functional expense allocation for the years ended December 31, 2020 and 2019 is as follows:

2020						
		<u>Program Services</u>			<u>Support Services</u>	
		<u>Student Loans</u>	<u>College Planning</u>	<u>Grants and Programming</u>	<u>General &amp; Administrative</u>	<u>Total Expenses</u>
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
Program		-	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
	\$	<u>3,104,402</u>	<u>2,966,597</u>	<u>1,322,398</u>	<u>1,204,366</u>	<u>8,597,763</u>
2019						
		<u>Program Services</u>			<u>Support Services</u>	
		<u>Student Loans</u>	<u>College Planning</u>	<u>Grants and Programming</u>	<u>General &amp; Administrative</u>	<u>Total Expenses</u>
Interest	\$	5,876,122	-	-	-	5,876,122
Personnel cost		143,926	1,618,450	313,236	510,912	2,586,524
Loan servicing cost		488,975	-	-	-	488,975
Consulting and computer services		8,231	311,396	106,158	205,021	630,806

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 13 - FUNCTIONAL EXPENSES - CONTINUED:**

2019 - Continued:					
	<u>Program Services</u>			<u>Support Services</u>	
	<u>Student Loans</u>	<u>College Planning</u>	<u>Grants and Programming</u>	<u>General &amp; Administrative</u>	<u>Total Expenses</u>
Occupancy expenses	\$ 14,587	222,952	19,887	43,192	300,618
Other expenses	117,613	258,773	21,150	127,972	525,508
Grants and scholarships	-	5,104	106,950	-	112,054
Program	-	184,088	157	313	184,558
Insurance	835	42,520	979	92,185	136,519
Legal and accounting services	-	-	-	110,457	110,457
Travel	-	117,451	5,521	5,082	128,054
	<u>\$ 6,650,289</u>	<u>2,760,734</u>	<u>574,038</u>	<u>1,095,134</u>	<u>11,080,195</u>

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 June 17, 2021, the date the consolidated financial statements were approved by the Company's management and thereby available to be issued.

**SUPPLEMENTARY INFORMATION**

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020**

	<u>MHEAC</u>	<u>WHEF</u>	<u>Eliminations</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 122,971	5,427,313	-	5,550,284
Restricted cash	3,496,736	-	-	3,496,736
Investments	-	179,764,524	-	179,764,524
Student loans receivable	178,187,073	-	-	178,187,073
Interest and special allowance receivable	3,605,653	2,222	-	3,607,875
Grant advances	-	277,306	-	277,306
Other assets	<u>29,857</u>	<u>338,223</u>	<u>-</u>	<u>368,080</u>
Total assets	\$ <u>185,442,290</u>	<u>185,809,588</u>	<u>-</u>	<u>371,251,878</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 166,433	358,452	-	524,885
Accrued interest payable	14,319	-	-	14,319
Grants payable	-	393,990	-	393,990
Notes payable	155,637,000	-	-	155,637,000
Deferred cost of issuance less accumulated amortization	<u>(582,810)</u>	<u>-</u>	<u>-</u>	<u>(582,810)</u>
Total liabilities	<u>155,234,942</u>	<u>752,442</u>	<u>-</u>	<u>155,987,384</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>				
Note fund	20,057,620	-	-	20,057,620
General fund	<u>10,149,728</u>	<u>185,057,146</u>	<u>-</u>	<u>195,206,874</u>
Total net assets without donor restrictions	<u>30,207,348</u>	<u>185,057,146</u>	<u>-</u>	<u>215,264,494</u>
Total liabilities and net assets	\$ <u>185,442,290</u>	<u>185,809,588</u>	<u>-</u>	<u>371,251,878</u>



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

**CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>MHEAC</u>	<u>WHEF</u>	<u>Eliminations</u>	<u>Total</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>				
<b>REVENUE AND SUPPORT:</b>				
Student loan revenue	\$ 5,196,801	-	-	5,196,801
Other revenue	-	1,114,394	(747,066)	367,328
Total revenue and support	<u>5,196,801</u>	<u>1,114,394</u>	<u>(747,066)</u>	<u>5,564,129</u>
<b>FUNCTIONAL EXPENSES:</b>				
Program services:				
Student loans	3,316,957	352,207	(564,762)	3,104,402
College planning	-	2,966,597	-	2,966,597
Grants and programming	-	1,322,398	-	1,322,398
Total program services	3,316,957	4,641,202	(564,762)	7,393,397
Support services:				
Management and general	344,915	1,041,755	(182,304)	1,204,366
Total functional expenses	<u>3,661,872</u>	<u>5,682,957</u>	<u>(747,066)</u>	<u>8,597,763</u>
Net operating revenue (expense)	<u>1,534,929</u>	<u>(4,568,563)</u>	<u>-</u>	<u>(3,033,634)</u>
<b>OTHER REVENUE (EXPENSE):</b>				
Investment income:				
Interest and dividends	1,408	114,449	-	115,857
Realized gain on investments	-	201,097	-	201,097
Unrealized gain on investments	-	19,118,478	-	19,118,478
Investment management fees	-	(274,620)	-	(274,620)
Total investment income	1,408	19,159,404	-	19,160,812
Donations	<u>(434,000)</u>	<u>434,000</u>	<u>-</u>	<u>-</u>
Total other revenue (expense)	<u>(432,592)</u>	<u>19,593,404</u>	<u>-</u>	<u>19,160,812</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	1,102,337	15,024,841	-	16,127,178
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD</b>	<u>29,105,011</u>	<u>170,032,305</u>	<u>-</u>	<u>199,137,316</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD</b>	<u>\$ 30,207,348</u>	<u>185,057,146</u>	<u>-</u>	<u>215,264,494</u>

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

**CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>MHEAC</u>	<u>WHEF</u>	<u>Eliminations</u>	<u>Total</u>
<b>RECEIPTS (DISBURSEMENTS) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:</b>				
Cash flows from operating activities:				
Interest on student loans	\$ 2,321,806	-	-	2,321,806
Interest subsidy	635,662	-	-	635,662
Special allowance	(822,686)	-	-	(822,686)
Late fees	104,540	-	-	104,540
Program services revenue	-	1,141,747	(747,066)	394,681
Interest expense	(2,276,366)	-	-	(2,276,366)
Note fees	(61,332)	-	-	(61,332)
Program and support services	(1,210,865)	(6,228,084)	747,066	(6,691,883)
Interest and dividends	1,829	16,157	-	17,986
Investment management fees	-	(286,131)	-	(286,131)
Donations	(434,000)	434,000	-	-
Net cash used in operating activities	<u>(1,741,412)</u>	<u>(4,922,311)</u>	<u>-</u>	<u>(6,663,723)</u>
Cash flows from investing activities:				
Additions to equipment	-	(264,111)	-	(264,111)
Collection of student loan principal	24,735,435	-	-	24,735,435
Purchases of student loan principal	(1,456,634)	-	-	(1,456,634)
Proceeds from sale of investments	-	27,847,924	-	27,847,924
Purchases of investments	-	(20,236,677)	-	(20,236,677)
Net cash provided by investing activities	<u>23,278,801</u>	<u>7,347,136</u>	<u>-</u>	<u>30,625,937</u>
Cash flows from financing activities:				
Payments to redeem notes	(21,723,000)	-	-	(21,723,000)
Net cash used in financing activities	<u>(21,723,000)</u>	<u>-</u>	<u>-</u>	<u>(21,723,000)</u>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(185,611)	2,424,825	-	2,239,214
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD</b>	<u>3,805,318</u>	<u>3,002,488</u>	<u>-</u>	<u>6,807,806</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD</b>	\$ <u><u>3,619,707</u></u>	<u><u>5,427,313</u></u>	<u><u>-</u></u>	<u><u>9,047,020</u></u>

**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, 2020**

	<u>MHEAC</u>	<u>WHEF</u>	<u>Eliminations</u>	<u>Total</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH USED IN OPERATING ACTIVITIES:</b>				
Change in net assets without donor restrictions	\$ 1,102,337	15,024,841	-	16,127,178
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:				
Amortization and depreciation	495,332	100,323	-	595,655
Net realized and unrealized gain on investments	-	(19,319,575)	-	(19,319,575)
Capitalized interest on student loans	(3,548,940)	-	-	(3,548,940)
Dividends reinvested	-	(121,499)	-	(121,499)
Provision for loan losses	14,314	-	-	14,314
Decrease in interest and special allowance receivable	298,182	23,208	-	321,390
Increase in grant advances	-	(277,306)	-	(277,306)
(Increase) decrease in other assets	(25,482)	28,526	-	3,044
Decrease in accounts payable	(18,402)	(37,739)	-	(56,141)
Decrease in accrued interest payable	(58,753)	-	-	(58,753)
Decrease in grants payable	-	(343,090)	-	(343,090)
Total adjustments	(2,843,749)	(19,947,152)	-	(22,790,901)
Net cash used in operating activities	\$ (1,741,412)	(4,922,311)	-	(6,663,723)

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2020**

	<u>Note Fund</u>	<u>General Fund</u>	<u>Eliminations</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ -	122,971	-	122,971
Restricted cash	3,496,736	-	-	3,496,736
Investments	-	10,000,000	(10,000,000)	-
Student loans receivable	178,187,073	-	-	178,187,073
Interest and special allowance receivable	3,605,654	1,275	(1,276)	3,605,653
Other assets	<u>4,375</u>	<u>25,482</u>	<u>-</u>	<u>29,857</u>
Total assets	\$ <u>185,293,838</u>	<u>10,149,728</u>	<u>(10,001,276)</u>	<u>185,442,290</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 166,433	-	-	166,433
Accrued interest payable	15,595	-	(1,276)	14,319
Notes payable	165,637,000	-	(10,000,000)	155,637,000
Deferred cost of issuance less accumulated amortization	<u>(582,810)</u>	<u>-</u>	<u>-</u>	<u>(582,810)</u>
Total liabilities	<u>165,236,218</u>	<u>-</u>	<u>(10,001,276)</u>	<u>155,234,942</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>20,057,620</u>	<u>10,149,728</u>	<u>-</u>	<u>30,207,348</u>
Total liabilities and net assets	\$ <u>185,293,838</u>	<u>10,149,728</u>	<u>(10,001,276)</u>	<u>185,442,290</u>

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Note Fund</u>	<u>General Fund</u>	<u>Eliminations</u>	<u>Total</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>				
<b>REVENUE AND SUPPORT:</b>				
Interest on student loans	\$ 5,782,540	-	-	5,782,540
Interest subsidy	590,678	-	-	590,678
Special allowance	(1,280,957)	-	-	(1,280,957)
Late fees	104,540	-	-	104,540
Total revenue and support	<u>5,196,801</u>	<u>-</u>	<u>-</u>	<u>5,196,801</u>
<b>EXPENSES:</b>				
Interest expense	2,381,299	-	(163,687)	2,217,612
Note fees	61,332	-	-	61,332
Amortization of deferred costs of issuance	186,277	-	-	186,277
Provision for loan losses	15,864	-	-	15,864
Program services expense	835,872	-	-	835,872
Support services expense	344,915	-	-	344,915
Total expenses	<u>3,825,559</u>	<u>-</u>	<u>(163,687)</u>	<u>3,661,872</u>
Net operating revenue	1,371,242	-	163,687	1,534,929
<b>OTHER REVENUE (EXPENSE):</b>				
Interest and dividends	1,358	163,737	(163,687)	1,408
Donations	<u>(72,500)</u>	<u>(361,500)</u>	<u>-</u>	<u>(434,000)</u>
Total other revenue (expense)	<u>(71,142)</u>	<u>(197,763)</u>	<u>(163,687)</u>	<u>(432,592)</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	1,300,100	(197,763)	-	1,102,337
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF PERIOD</b>	<u>18,757,520</u>	<u>10,347,491</u>	<u>-</u>	<u>29,105,011</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF PERIOD</b>	\$ <u>20,057,620</u>	<u>10,149,728</u>	<u>-</u>	<u>30,207,348</u>