

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

Consolidated Financial Statements

December 31, 2024 and 2023

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Independent Auditor's Report

Board of Directors and Management
Mississippi Higher Education Assistance Corporation
and Subsidiary Woodward Hines Education Foundation
Jackson, Mississippi

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mississippi Higher Education Assistance Corporation and Subsidiary Woodward Hines Education Foundation (collectively, the Entity), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mississippi Higher Education Assistance Corporation and Subsidiary Woodward Hines Education Foundation as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Audited by Other Auditors

The 2023 financial statements were audited by other auditors, and their report thereon, dated May 29, 2024, expressed an unmodified opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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. 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 the Entity's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 GAAS and *Government 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 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 GAAS and *Government 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 the Entity'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 the Entity'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the Entity's table of contents 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 GAAS. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reports Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report date June 27, 2025 on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Entity's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Jackson, Mississippi
June 27, 2025

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

Consolidated Statements of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 13,679,989	\$ 8,541,121
Restricted cash	2,407,301	2,338,499
Investments	208,748,133	202,258,488
Student loans receivable, net of allowance for credit losses of \$103,771 and \$123,573	92,190,967	110,030,513
Interest and special allowance receivable	3,821,023	4,300,727
Right-of-use assets, net	1,506,760	1,835,163
Grant advances	292,921	744,724
Other assets	<u>1,041,756</u>	<u>438,795</u>
Total Assets	<u><u>\$ 323,688,850</u></u>	<u><u>\$ 330,488,030</u></u>
Liabilities		
Accounts payable and accrued expenses	\$ 1,013,432	\$ 840,259
Operating lease liabilities	1,509,642	1,837,736
Accrued interest payable	57,130	84,918
Notes payable	<u>63,761,845</u>	<u>82,867,761</u>
Total Liabilities	66,342,049	85,630,674
Net assets without donor restrictions	<u>257,346,801</u>	<u>244,857,356</u>
Total Liabilities and Net Assets	<u><u>\$ 323,688,850</u></u>	<u><u>\$ 330,488,030</u></u>

See notes to consolidated financial statements.

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
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Consolidated Statements of Activities
For the Years Ended December 31, 2024 and 2023

	2024	2023
Revenue and Support		
Student loan revenue	\$ 6,988,686	\$ 7,985,487
Other revenue	1,402,543	1,033,382
Total Revenue and Support	<u>8,391,229</u>	<u>9,018,869</u>
Functional Expenses		
Program services		
Student loans	5,137,966	6,129,095
College planning	4,311,290	3,621,893
Grants and programming	1,994,458	1,966,213
Total program services	<u>11,443,714</u>	<u>11,717,201</u>
Support services		
Management and general	1,462,298	1,284,923
Total Functional Expenses	<u>12,906,012</u>	<u>13,002,124</u>
Net operating expense	(4,514,783)	(3,983,255)
Other Revenue		
Net investment income	16,981,028	16,259,683
Donations	23,200	-
Total Other Revenue	<u>17,004,228</u>	<u>16,259,683</u>
Change in net assets without donor restrictions	12,489,445	12,276,428
Net assets without donor restrictions, Beginning of Year	<u>244,857,356</u>	<u>232,580,928</u>
Net assets without donor restrictions, End of Year	<u><u>\$ 257,346,801</u></u>	<u><u>\$ 244,857,356</u></u>

See notes to consolidated financial statements.

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
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Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Cash received from student loans	\$ 4,974,891	\$ 5,158,863
Other cash received	954,764	1,037,221
Interest paid	(4,478,259)	(5,358,207)
Cash paid for program and support services	(7,596,708)	(7,597,347)
Interest and dividends received	578,765	539,280
Investment management fees paid	(892,575)	(946,039)
Donations	23,200	-
	<u>(6,435,922)</u>	<u>(7,166,229)</u>
Net Cash Used in Operating Activities		
Investing Activities		
Additions to equipment	(161,413)	(50,779)
Collection of student loan principal	20,887,227	20,968,917
Purchases of student loan principal	(593,355)	(1,151,785)
Proceeds from sale of investments and distributions	23,594,649	12,270,409
Purchases of investments	(12,905,516)	(9,636,862)
	<u>30,821,592</u>	<u>22,399,900</u>
Net Cash Provided by Investing Activities		
Financing Activities		
Payments to redeem notes	(19,178,000)	(21,330,000)
	<u>(19,178,000)</u>	<u>(21,330,000)</u>
Net Cash Used in Financing Activities		
Net change in cash, cash equivalents, and restricted cash	5,207,670	(6,096,329)
Cash, cash equivalents, and restricted cash - beginning of period	<u>10,879,620</u>	<u>16,975,949</u>
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 16,087,290</u>	<u>\$ 10,879,620</u>
Right-of-use assets acquired in exchange for lease liabilities	\$ -	\$ 147,672

See notes to consolidated financial statements.

**MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION
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Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of change in Net Assets Without Donor Restrictions to Net Cash Used In Operating Activities		
Change in net assets without donor restrictions	\$ 12,489,445	\$ 12,276,428
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Amortization and depreciation	354,519	383,162
Net realized and unrealized gain on investments	(16,290,296)	(15,866,616)
Capitalized interest on student loans	(2,699,936)	(3,011,234)
Dividends reinvested	(888,482)	(599,324)
Provision for loan losses	37,130	81,649
(Increase) decrease in interest and special allowance receivable	479,704	(37,789)
Decrease in right-of-use assets	309	884
(Increase) decrease in grant advances	451,803	(231,480)
Increase in other assets	(515,503)	(36,369)
Increase (decrease) in accounts payable	173,173	(136,947)
Increase (decrease) in accrued interest payable	(27,788)	11,407
	<u>(18,925,367)</u>	<u>(19,442,657)</u>
Net Cash Used in Operating Activities	<u>\$ (6,435,922)</u>	<u>\$ (7,166,229)</u>
Cash and cash equivalents	\$ 13,679,989	\$ 8,541,121
Restricted Cash	2,407,301	2,338,499
Total Cash, Cash Equivalents, and Restricted Cash Shown in Consolidated Statement of Cash Flows	<u>\$ 16,087,290</u>	<u>\$ 10,879,620</u>

See notes to consolidated financial statements.

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Notes to Consolidated Financial Statements
December 31, 2024 and 2023

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.

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Notes to Consolidated Financial Statements
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(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 using net asset value as a practical expedient. 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 credit 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 credit 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

The Company records a right-of-use (ROU) asset and a lease liability on the consolidated statements of financial position for all leases with terms longer than one year. Leases are classified as either finance or operating with classification affecting the pattern of expense recognition in the consolidated statements of activities. Leases with a term of less than one year will not result in the recognition of a ROU asset or lease liability, and the lease liability payments will be expensed on a straight-line basis over the lease term.

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.

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Notes to Consolidated Financial Statements
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(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, 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 \$530,083 and \$976,456 that were not included in grants payable as of December 31, 2024 and 2023, 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. However, the Company is subject to federal income tax on any unrelated taxable income. 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. *Note 13* presents the natural classification of expenses by function. Certain costs have been allocated among the programs and supporting services based on salary allocation, direct identification, and other methods.

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.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Continued)

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, 2024 and 2023, cash, cash equivalents and restricted cash consisted of:

	2024	2023
Cash	\$ 15,960	\$ 16,714
Money market instruments	16,071,330	10,862,906
	<u>\$ 16,087,290</u>	<u>\$ 10,879,620</u>

Cash and cash equivalents include restricted amounts of \$2,407,301 and \$2,338,499 at December 31, 2024 and 2023, respectively, restricted for debt service payments.

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, quoted prices in markets that are not active, etc.).

Level 3 - Significant unobservable inputs supported by little or no market activity (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.

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Notes to Consolidated Financial Statements

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(Continued)

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2024 and 2023:

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 estimate 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, 2024 and 2023:

December 31, 2024				
	(Level 1)	(Level 2)	(Level 3)	Total
Public equity funds	\$ 35,001,885	-	-	35,001,885
Alternative investment vehicles				
at net asset value				173,746,248
				<u>\$ 208,748,133</u>
December 31, 2023				
	(Level 1)	(Level 2)	(Level 3)	Total
Public equity funds	\$ 28,236,041	-	-	28,236,041
Alternative investment vehicles				
at net asset value				174,022,447
				<u>\$ 202,258,488</u>

There were unsettled trades of \$61,135 and \$803,038 as of December 31, 2024 and 2023, respectively. The receivable is reported in investments in the accompanying consolidated statements of financial position.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Continued)

The Company uses the net asset value (NAV) as a practical expedient 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:

	December 2024	Unfunded Commitments	Remaining Life	Redemption Frequency	Redemption Notice
Hedge funds	\$ 17,585,563	\$ 2,200,000	N/A	Monthly, Quarterly, Semi-Annually and 3-year	45-180 Days
Private equity funds	\$ 86,009,445	\$ 11,551,133	2-12 Years	N/A	N/A
Pooled investment funds	\$ 70,151,240	\$ 2,000,000	N/A	Daily, Monthly, Semi-Monthly, and Quarterly	2-62 Days
	December 2023	Unfunded Commitments	Remaining Life	Redemption Frequency	Redemption Notice
Hedge funds	\$ 14,039,817	\$ -	N/A	Monthly, Quarterly, Semi-Annually and 3-year	45-180 Days
Private equity funds	\$ 90,904,081	\$ 8,502,352	3-12 Years	N/A	N/A
Pooled investment funds	\$ 69,078,549	\$ 2,000,000	N/A	Daily, Monthly, Semi-Monthly, and Quarterly	2-62 Days

NOTE 5 - STUDENT LOANS RECEIVABLE

Student loans are Federal Family Education Loan 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. Effective July 1, 2010, the Federal Family Education Loan Program was discontinued pursuant to the Health Care and Education Reconciliation Act of 2010, with all new federal student loans thereafter originated through the Federal Direct Loan Program.

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(Continued)

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 until June 30, 2023; after June 30, 2023, the SAP rate is related to the 30-day average Secured Overnight Financing Rate (SOFR) plus a tenor spread of 0.11448%.

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, 2024 and 2023, approximately 72% and 73%, respectively, of the loans were subject to the 98% guarantee, with the remainder subject to the 97% guarantee.

At December 31, 2024 and 2023, student loans consisted of:

	2024	2023
Student loans receivable	\$ 91,680,371	\$ 109,331,238
Unamortized premiums and origination costs	614,367	822,848
	92,294,738	110,154,086
Allowance for credit losses	(103,771)	(123,573)
	<u>\$ 92,190,967</u>	<u>\$ 110,030,513</u>

At December 31, 2024 and 2023, approximately 74% and 75%, respectively, of the student loans were Consolidation Loans. Approximately 83% and 82% of the student loans were in repayment at December 31, 2024 and 2023, respectively. During the years ended December 31, 2024 and 2023, the average annual yield on student loans was 7.01% and 6.75%, respectively.

At December 31, 2024 and 2023, 100% of the student loans were serviced by Higher Education Loan Authority of the State of Missouri (MOHELA) and Navient Solutions, LLC, respectively.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Continued)

NOTE 6 – OTHER ASSETS

At December 31, 2024 and 2023, other assets consisted of:

	2024	2023
Equipment, furniture and software	\$ 889,970	\$ 797,703
Accumulated depreciation	(651,097)	(644,815)
Net book value	238,873	152,888
Prepaid note fees	4,958	30,440
Grant receivable	598,287	-
Miscellaneous	199,638	255,467
	<u>\$ 1,041,756</u>	<u>\$ 438,795</u>

NOTE 7 – LEASE COMMITMENTS

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 Accounting Standards Update (ASU) 2016-02, Leases Topic 842, 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.

The Southaven office lease has a term of three years ending on May 31, 2026, the renewal of which is 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, 3.67% at the lease inception date, to calculate the present value of future minimum lease payments and therefore record the ROU operating lease asset and operating lease liability.

The Ocean Springs office lease had a lease term of two years that ended on May 31, 2023, with an automatic renewal option for additional three-year periods with a fixed percentage increase in monthly rent upon each renewal. In its strategic planning, the Company forecasts the continued renewal of the lease as it is reasonably certain to be exercised 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 as of December 31, 2024 and 2023, was 4.75 and 5.69 years, respectively. The weighted average discount rate as of December 31, 2024 and 2023 was 1.57% and 1.61%, respectively.

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Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Continued)

Future minimum lease payments under the non-cancellable leases as of December 31, 2024 are as follows:

2025	\$	354,452
2026		325,003
2027		303,968
2028		303,968
2029		275,520
Total minimum lease payments		<u>1,562,911</u>
Less: Imputed Interest		<u>(53,269)</u>
Total lease liabilities	\$	<u><u>1,509,642</u></u>

Total lease expenses under these agreements were \$368,412 and \$367,241 for the years ended December 31, 2024 and 2023, respectively.

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. The notes are secured by student loans receivable as stated in *Note 5*. Until the June 30, 2023 cessation of LIBOR, interest was reset monthly at 1-month LIBOR plus 0.68%. After June 30, 2023, interest is reset monthly using the 30-day average SOFR plus a tenor spread adjustment of 0.11448% plus 0.68%. The interest rate at December 31, 2024 and 2023, was 5.36% and 6.13%, respectively.

At December 31, 2024 and 2023, notes payable consisted of:

	<u>2024</u>	<u>2023</u>
Notes payable principal amount	\$ 63,913,000	\$ 83,091,000
Unamortized debt issuance costs	<u>(151,155)</u>	<u>(223,239)</u>
	<u><u>\$ 63,761,845</u></u>	<u><u>\$ 82,867,761</u></u>

During the years ended December 31, 2024 and 2023, the average annual expense rate for notes was 6.34% and 5.99%, 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, 2024 and 2023, capitalized interest was approximately \$2,700,000 and \$3,011,000, respectively.

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Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(Continued)

For the years ended December 31, 2024 and 2023, dividend income included approximately \$888,000 and \$599,000, 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 2024 and 2023, the match for the first 6% of an employee's eligible compensation contributed by the employee was 200% and 100%, respectively. For 2024 and 2023, the match was \$279,210 and \$121,351, respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Periodically, the Company commits to making additional investments. At December 31, 2024 and 2023, the Company's unfunded commitments were \$15,751,133 and \$10,502,352, respectively. 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 - 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Financial assets at year end	\$ 320,233,046	\$ 326,646,500
Less amounts unavailable for general expenditure within one year, due to:		
Amounts held under note fund	(97,757,209)	(115,810,137)
Amounts held in illiquid investments	(89,201,707)	(92,789,041)
Amounts committed to illiquid investments	(15,751,133)	(10,502,352)
Net financial assets available within one year	<u><u>\$ 117,522,997</u></u>	<u><u>\$ 107,544,970</u></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.

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Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(Continued)

NOTE 13 - FUNCTIONAL EXPENSES

Functional expense allocation for the years ended December 31, 2024 and 2023, is as follows:

2024					
	Program Services			Support Services	Total Expenses
	Student Loans	College Planning	Grants and Programming	General & Administrative	
Interest	\$ 4,522,556	\$ -	\$ -	\$ -	\$ 4,522,556
Personnel cost	185,020	2,159,323	443,357	609,200	3,396,900
Loan servicing cost	266,532	-	-	-	266,532
Consulting and computer services	7,429	638,704	137,808	302,837	1,086,778
Occupancy expenses	14,492	298,282	22,454	33,184	368,412
Other expenses	140,620	851,155	26,247	276,637	1,294,659
Grants and scholarships	-	100	1,356,010	20,000	1,376,110
Programs	-	107,742	44	-	107,786
Insurance	1,277	64,478	1,488	96,425	163,668
Legal and accounting services	-	-	-	119,618	119,618
Travel	40	191,506	7,050	4,397	202,993
	<u>\$ 5,137,966</u>	<u>\$ 4,311,290</u>	<u>\$ 1,994,458</u>	<u>\$ 1,462,298</u>	<u>\$ 12,906,012</u>

2023					
	Program Services			Support Services	Total Expenses
	Student Loans	College Planning	Grants and Programming	General & Administrative	
Interest	\$ 5,462,432	\$ -	\$ -	\$ -	\$ 5,462,432
Personnel cost	166,506	1,821,007	379,129	543,528	2,910,170
Loan servicing cost	313,894	-	-	-	313,894
Consulting and computer services	9,628	710,601	240,516	277,693	1,238,438
Occupancy expenses	15,403	293,151	23,703	34,984	367,241
Other expenses	159,810	440,043	126,211	190,665	916,729
Grants and scholarships	-	96	1,187,871	-	1,187,967
Programs	-	123,597	-	-	123,597
Insurance	1,362	64,242	1,568	109,630	176,802
Legal and accounting services	-	-	-	124,984	124,984
Travel	60	169,156	7,215	3,439	179,870
	<u>\$ 6,129,095</u>	<u>\$ 3,621,893</u>	<u>\$ 1,966,213</u>	<u>\$ 1,284,923</u>	<u>\$ 13,002,124</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 27, 2025, 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
AND SUBSIDIARY WOODWARD HINES EDUCATION FOUNDATION**

Consolidating Statement of Financial Position

December 31, 2024

	<u>MHEAC</u>	<u>WHEF</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 200,965	\$ 13,479,024	\$ -	\$ 13,679,989
Restricted cash	2,407,301	-	-	2,407,301
Investments	-	208,748,133	-	208,748,133
Student loans receivable	92,190,967	-	-	92,190,967
Interest and special allowance receivable	3,773,308	47,715	-	3,821,023
Right-of-use assets, net	-	1,506,760	-	1,506,760
Grant advances	-	292,921	-	292,921
Other assets	4,957	1,036,799	-	1,041,756
Total Assets	<u>\$ 98,577,498</u>	<u>\$ 225,111,352</u>	<u>\$ -</u>	<u>\$ 323,688,850</u>
Liabilities				
Accounts payable and accrued expenses	\$ 89,879	\$ 923,553	\$ -	\$ 1,013,432
Operating lease liabilities	-	1,509,642	-	1,509,642
Accrued interest payable	57,130	-	-	57,130
Notes payable	63,913,000	-	-	63,913,000
Deferred costs of issuance less accumulated amortization	(151,155)	-	-	(151,155)
Total Liabilities	<u>63,908,854</u>	<u>2,433,195</u>	<u>-</u>	<u>66,342,049</u>
Net assets without donor restrictions				
Note fund	24,458,207	-	-	24,458,207
General fund	10,210,437	222,678,157	-	232,888,594
Total net assets without donor restrictions	<u>34,668,644</u>	<u>222,678,157</u>	<u>-</u>	<u>257,346,801</u>
Total Liabilities and Net Assets	<u>\$ 98,577,498</u>	<u>\$ 225,111,352</u>	<u>\$ -</u>	<u>\$ 323,688,850</u>

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

Consolidating Statement of Activities
For the Year Ended December 31, 2024

	<u>MHEAC</u>	<u>WHEF</u>	<u>Eliminations</u>	<u>Total</u>
Revenue and Support				
Student loan revenue	\$ 6,988,686	\$ -	\$ -	\$ 6,988,686
Other revenue	-	1,800,896	(398,353)	1,402,543
Total Revenue and Support	<u>6,988,686</u>	<u>1,800,896</u>	<u>(398,353)</u>	<u>8,391,229</u>
Functional Expenses				
Program services:				
Student loans	5,124,942	422,427	(409,403)	5,137,966
College planning	-	4,311,290	-	4,311,290
Grants and programming	-	1,994,458	-	1,994,458
Total program services	<u>5,124,942</u>	<u>6,728,175</u>	<u>(409,403)</u>	<u>11,443,714</u>
Support services:				
Management and general	<u>182,837</u>	<u>1,268,411</u>	<u>11,050</u>	<u>1,462,298</u>
Total Functional Expenses	<u>5,307,779</u>	<u>7,996,586</u>	<u>(398,353)</u>	<u>12,906,012</u>
Net operating revenue (expense)	<u>1,680,907</u>	<u>(6,195,690)</u>	<u>-</u>	<u>(4,514,783)</u>
Other Revenue (Expense)				
Net investment income				
Interest and dividends	5,137	1,473,069	-	1,478,206
Realized gain on investments	-	753,847	-	753,847
Unrealized gain on investments	-	15,536,448	-	15,536,448
Investment fees	-	(787,473)	-	(787,473)
Total net investment income	<u>5,137</u>	<u>16,975,891</u>	<u>-</u>	<u>16,981,028</u>
Donations	<u>(822,000)</u>	<u>845,200</u>	<u>-</u>	<u>23,200</u>
Total Other Revenue (Expense)	<u>(816,863)</u>	<u>17,821,091</u>	<u>-</u>	<u>17,004,228</u>
Change in net assets without donor restrictions	<u>864,044</u>	<u>11,625,401</u>	<u>-</u>	<u>12,489,445</u>
Net assets without donor restrictions, Beginning of Year	<u>33,804,600</u>	<u>211,052,756</u>	<u>-</u>	<u>244,857,356</u>
Net assets without donor restrictions, End of Year	<u>\$ 34,668,644</u>	<u>\$ 222,678,157</u>	<u>\$ -</u>	<u>\$ 257,346,801</u>

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

Consolidating Statement of Cash Flows
For the Year Ended December 31, 2024

	MHEAC	WHEF	Eliminations	Total
Operating Activities				
Interest on student loans	\$ 1,425,818	\$ -	\$ -	\$ 1,425,818
Interest subsidy	244,704	-	-	244,704
Special allowance	3,232,865	-	-	3,232,865
Late fees	71,504	-	-	71,504
Program services revenue	-	1,353,117	(398,353)	954,764
Interest expense	(4,478,259)	-	-	(4,478,259)
Note fees	(57,645)	-	-	(57,645)
Program and support services	(668,819)	(7,268,597)	398,353	(7,539,063)
Interest and dividends	5,139	573,626	-	578,765
Investment fees	-	(892,575)	-	(892,575)
Donations	(822,000)	845,200	-	23,200
Net Cash Used in Operating Activities	(1,046,693)	(5,389,229)	-	(6,435,922)
Investing Activities				
Additions to equipment	-	(161,413)	-	(161,413)
Collection of student loan principal	20,887,227	-	-	20,887,227
Purchases of student loan principal	(593,355)	-	-	(593,355)
Proceeds from sale of investments and distributions	-	23,594,649	-	23,594,649
Purchases of investments	-	(12,905,516)	-	(12,905,516)
Net Cash Provided by Investing Activities	20,293,872	10,527,720	-	30,821,592
Financing Activities				
Payments to redeem notes	(19,178,000)	-	-	(19,178,000)
Net Cash Used in Financing Activities	(19,178,000)	-	-	(19,178,000)
Net increase in cash, cash equivalents and restricted cash	69,179	5,138,491	-	5,207,670
Cash, cash equivalents, and restricted cash - Beginning of Year	2,539,087	8,340,533	-	10,879,620
Cash, cash equivalents, and restricted cash - End of Year	\$ 2,608,266	\$ 13,479,024	\$ -	\$ 16,087,290

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

Consolidating Statement of Cash Flows
For the Year Ended December 31, 2024
(Continued)

	<u>MHEAC</u>	<u>WHEF</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of Change in Net Assets Without Donor Restrictions to Net Cash Used in Operating Activities				
Change in net assets without donor restrictions	<u>\$ 864,044</u>	<u>\$ 11,625,401</u>	<u>\$ -</u>	<u>\$ 12,489,445</u>
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities				
Amortization and depreciation	280,564	73,955	-	354,519
Net realized and unrealized gain on investments	-	(16,290,296)	-	(16,290,296)
Capitalized interest on student loans	(2,699,936)	-	-	(2,699,936)
Dividends reinvested	-	(888,482)	-	(888,482)
Provision for loan losses	37,130	-	-	37,130
(Increase) decrease in interest and special allowance receivable	490,665	(10,961)	-	479,704
Decrease in right-of-use asset	-	309	-	309
Decrease in grant advances	-	451,803	-	451,803
(Increase) decrease in other assets	25,483	(540,986)	-	(515,503)
Increase (decrease) in accounts payable	(16,855)	190,028	-	173,173
Decrease in accrued interest payable	<u>(27,788)</u>	<u>-</u>	<u>-</u>	<u>(27,788)</u>
	<u>(1,910,737)</u>	<u>(17,014,630)</u>	<u>-</u>	<u>(18,925,367)</u>
Net Cash Used in Operating Activities	<u><u>\$ (1,046,693)</u></u>	<u><u>\$ (5,389,229)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (6,435,922)</u></u>

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statement of Financial Position by Fund

For the Year Ended December 31, 2024

	Note Fund	General Fund	Eliminations	Total
Assets				
Cash and cash equivalents and restricted cash	\$ 2,407,301	\$ 200,965	\$ -	\$ 2,608,266
Investments	-	10,000,000	(10,000,000)	-
Student loans receivable, net of allowance	92,190,967	-	-	92,190,967
Interest and special allowance receivable	3,773,308	9,472	(9,472)	3,773,308
Other assets	4,957	-	-	4,957
Total Assets	\$ 98,376,533	\$ 10,210,437	\$ (10,009,472)	\$ 98,577,498
Liabilities				
Accounts payable and accrued expenses	\$ 89,879	\$ -	\$ -	\$ 89,879
Accrued interest payable	66,602	-	(9,472)	57,130
Notes payable	73,913,000	-	(10,000,000)	63,913,000
Deferred costs of issuance less accumulated amortization	(151,155)	-	-	(151,155)
Total Liabilities	73,918,326	-	(10,009,472)	63,908,854
Net assets without donor restrictions	24,458,207	10,210,437	-	34,668,644
Total Liabilities and Net Assets	\$ 98,376,533	\$ 10,210,437	\$ (10,009,472)	\$ 98,577,498

MISSISSIPPI HIGHER EDUCATION ASSISTANCE CORPORATION

Statement of Activities by Fund

For the Year Ended December 31, 2024

	Note Fund	General Fund	Eliminations	Total
Revenue and Support				
Interest on student loans	\$ 3,731,660	\$ -	\$ -	\$ 3,731,660
Interest subsidy	228,175	-	-	228,175
Special allowance	2,957,347	-	-	2,957,347
Late fees	71,504	-	-	71,504
Total Revenue and Support	<u>6,988,686</u>	<u>-</u>	<u>-</u>	<u>6,988,686</u>
Expenses				
Interest expense	5,095,107	-	(644,635)	4,450,472
Note fees	57,645	-	-	57,645
Amortization of deferred costs of issuance	72,084	-	-	72,084
Provision for loan losses	37,210	25,482	-	62,692
Program services expense	482,049	-	-	482,049
Support services expense	182,837	-	-	182,837
Total Expenses	<u>5,926,932</u>	<u>25,482</u>	<u>(644,635)</u>	<u>5,307,779</u>
Net Operating Revenue (Expense)	<u>1,061,754</u>	<u>(25,482)</u>	<u>644,635</u>	<u>1,680,907</u>
Other Revenue (Expense)				
Interest and dividends	176	649,596	(644,635)	5,137
Donations	<u>-</u>	<u>(822,000)</u>	<u>-</u>	<u>(822,000)</u>
Total Other Revenue (Expense)	<u>176</u>	<u>(172,404)</u>	<u>(644,635)</u>	<u>(816,863)</u>
Change in net assets without donor restrictions	<u>1,061,930</u>	<u>(197,886)</u>	<u>-</u>	<u>864,044</u>
Net assets without donor restrictions, Beginning of year	<u>23,567,777</u>	<u>10,236,823</u>	<u>-</u>	<u>33,804,600</u>
Transfers in (out)	<u>(171,500)</u>	<u>171,500</u>	<u>-</u>	<u>-</u>
Net assets without donor restrictions, End of Year	<u>\$ 24,458,207</u>	<u>\$ 10,210,437</u>	<u>\$ -</u>	<u>\$ 34,668,644</u>