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Senator George J. Mitchell Scholarship Research Institute

Audited Financial Statements

Year Ended December 31, 2018 With Comparative Information for the Year Ended December 31, 2017 With Independent Auditors' Report

BAKER NEWMAN NOYES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Senator George J. Mitchell Scholarship Research Institute

Report on the Financial Statements

We have audited the accompanying financial statements of Senator George J. Mitchell Scholarship Research Institute, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial 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 financial statements.

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

Board of Directors
Senator George J. Mitchell Scholarship Research Institute

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Senator George J. Mitchell Scholarship Research Institute as of December 31, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, Senator George J. Mitchell Scholarship Research Institute adopted the provisions of Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Senator George J. Mitchell Scholarship Research Institute's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Newman + Noyes LLC

Portland, Maine
May 28, 2019

SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	2018	2017
ASSETS		
Investments (note 3)	$35,977,937	$38,135,327
Cash and cash equivalents (note 2)	1,637,136	2,750,980
Assets held for others (note 5)	120,980	121,177
Contributions receivable, net (note 4)	248,294	425,568
Accounts receivable	1,750	750
Prepaid expenses	17,071	16,501
Property and equipment	50,642	43,640
Total assets	$38,053,810	$41,493,943
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 64,564	$ 90,622
Grants payable (note 6)	3,236,910	3,145,426
Assets held for others (note 5)	120,980	121,177
Deferred grant revenue	269,505	167,915
Total liabilities	3,691,959	3,525,140
Net assets:		
Without donor restrictions	(994,030)	(878,944)
With donor restrictions (note 7)	35,355,881	38,847,747
Total net assets	34,361,851	37,968,803
Total liabilities and net assets	$38,053,810	$41,493,943

See accompanying notes.

SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2018 and December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2018	2017
Revenue:				
Contributions	$ 540,675	$ 30,228	$ 570,903	$ 725,946
Grant revenue	23,419	208,020	231,439	270,991
Special events	254,321	–	254,321	261,305
Less special events costs	(50,683)	–	(50,683)	(57,398)
Campaign	12,949	5,268	18,217	26,707
Interest and dividend income	5,141	523,146	528,287	528,195
Net realized and unrealized (losses) gains on investments (note 3)	(119,200)	(2,837,659)	(2,956,859)	4,936,759
Other (losses) revenue	49	–	49	(4,446)
Net assets released from restrictions used for operations	1,420,869	(1,420,869)	–	–
Total revenue, gains (losses) and other support	2,087,540	(3,491,866)	(1,404,326)	6,688,059
Expenses:				
Grants and program initiatives	1,171,859	–	1,171,859	1,212,329
Administrative and general:				
Program service expenses	840,621	–	840,621	767,413
Management and general	102,858	–	102,858	100,994
Fundraising	83,733	–	83,733	86,429
Campaign	3,555	–	3,555	3,224
Total expenses	2,202,626	–	2,202,626	2,170,389
Change in net assets	(115,086)	(3,491,866)	(3,606,952)	4,517,670
Net assets at beginning of year	(878,944)	38,847,747	37,968,803	33,451,133
Net assets at end of year	$ (994,030)	$35,355,881	$34,361,851	$37,968,803

See accompanying notes.

SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2018 and December 31, 2017

	2018	2017
Cash flow from operating activities:		
Change in net assets	$ (3,606,952)	$ 4,517,670
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	7,647	4,092
Net unrealized and realized investment losses (gains)	2,956,859	(4,936,759)
Restricted contributions	(243,516)	(467,972)
Change in allowance for uncollectible contributions	–	(21,105)
Decrease in contributions receivable	21,744	30,170
(Increase) decrease in accounts receivable	(1,000)	3,500
(Increase) in prepaid expenses	(570)	(2,939)
(Decrease) increase in accounts payable and accrued expenses	(10,776)	2,938
Increase in grants payable	91,484	226,954
Increase in deferred grant revenue	101,590	99,009
Net cash used by operating activities	(683,490)	(544,442)
Cash flows from investing activities:		
Purchases of investments	(14,278,164)	(18,303,017)
Sales of investments	13,478,695	17,439,156
Fixed asset additions	(29,931)	–
Net cash used by investing activities	(829,400)	(863,861)
Cash flows from financing activities:		
Proceeds from restricted contributions	399,046	1,855,971
Net cash provided by financing activities	399,046	1,855,971
Net (decrease) increase in cash and cash equivalents	(1,113,844)	447,668
Cash and cash equivalents at beginning of year	2,750,980	2,303,312
Cash and cash equivalents at end of year	$ 1,637,136	$ 2,750,980
Supplemental disclosures:		
Property and equipment included in accounts payable	$ –	$ 15,282

See accompanying notes.

1. Description of Organization

The Senator George J. Mitchell Scholarship Research Institute (Mitchell Institute) strives to give Maine youth a fair chance to reach as far and as high as their individual talents and willingness allow by making an annual four-year scholarship award to a graduating senior from each of Maine's public high schools. Mitchell Institute is also committed to discerning, through qualitative and quantitative research, ways to advance the higher education aspirations of Maine students with the goal of developing and supporting programs that will remove obstacles to achieving a college degree.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents includes all highly liquid investments without donor restrictions with an initial maturity of three months or less, except for those cash equivalents that are held as part of the investment portfolio. Significant amounts of cash equivalents are held in money market funds which exceed FDIC insurance coverage limits. Mitchell Institute invests in money market funds held by a local bank. The risk with respect to cash equivalents is minimized by Mitchell Institute's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions.

Significant amounts of cash on hand at December 31, 2018 and 2017 are for scholarship payments disbursed in early 2019 and 2018, respectively.

Investments

Investments are stated at fair value. Gains and losses on investments are computed on the specific identification basis. Investment income and realized and unrealized gains/losses are included in revenue without donor restrictions unless restricted by donor or law. In addition, investment returns from donor restricted net assets are classified as net assets with donor restrictions until appropriated for expenditures.

Investments, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and activities.

2. Summary of Significant Accounting Policies (Continued)

Contributions Receivable

Contributions receivable represent unconditional promises to give by donors and have been recorded at net realizable value. Contributions receivable are due from individuals, corporations and foundations. Contributions which are expected to be collected after one year have been discounted and are reflected in the financial statements at their net present value. The amortization of the discount is credited to contribution income. An allowance for uncollectible contributions receivable is provided as necessary by management based on a review of the underlying pledges. Management has recorded an allowance of $147,620 for the years ended December 31, 2018 and 2017. Amounts are charged off when deemed uncollectible.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Mitchell Institute's policy is to capitalize expenditures over $3,000. Depreciation is provided by the straight-line method in a manner which is intended to amortize the costs of the assets over their estimated useful life.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those assets whose use by Mitchell Institute has been limited by donors to a specific time period or purpose. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained by Mitchell Institute in perpetuity.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restrictions expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified and reported in the statement of activities as net assets released from restrictions used for operations. Mitchell Institute also follows this reporting practice for donor-restricted gifts whose restrictions are met in the same reporting period that the promise or asset is received.

Grant Revenue

Grant revenue is recognized in the period the related expenditures are incurred in connection with carrying out the terms of the grant agreement.

Grants Payable

Scholarship awards are recorded when the initial four-year award is made. Estimated future payments due to the recipients after one year have been discounted and are recorded as a liability in the financial statements at the net present value.

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

Mitchell Institute is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes within the financial statements.

Tax-exempt organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the Financial Accounting Standards Board, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense.

Mitchell Institute has evaluated the position taken on its filed tax returns. Mitchell Institute has not taken, nor does it expect to take any uncertain tax positions in any income tax return.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires Mitchell Institute's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The most significant area which is affected by the use of estimates is the recognition and collectibility of contributions receivable.

New Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), which was issued to increase transparency and comparability among organizations by requiring reporting entities to recognize all leases, including operating leases, as lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The amendments in ASU 2016-02 are effective in 2020. Mitchell Institute is currently reviewing ASU 2016-02 to determine the future impact on its financial statements.

On August 8, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Mitchell Institute implemented ASU 2016-14, as it is effective for Mitchell Institute for the year ended December 31, 2018, and has adjusted the presentation in these financial statements and related footnotes accordingly. The most significant effects relate to the change in net asset classification from unrestricted, temporarily restricted and permanently restricted to net assets with and without donor restrictions, as well as the addition of disclosure of functional and natural classification of expenses (see Note 9) and liquidity disclosures (see Note 10). The ASU has been applied retrospectively to all periods presented, and had no impact on previously reported net assets.

2. Summary of Significant Accounting Policies (Continued)

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)* (ASU 2016-18), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for Mitchell Institute beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. Mitchell Institute is currently evaluating the impact of the adoption of this guidance on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). Due to diversity in practice, ASU 2018-08 clarifies the definition of an exchange transaction as well as the criteria for evaluating whether contributions are unconditional or conditional. ASU 2018-08 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. Mitchell Institute is currently evaluating the impact that ASU 2018-08 will have on the financial statements.

Subsequent Events

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through May 28, 2019 which is the date the financial statements were available to be issued.

3. Investments

Investments consist of the following at December 31:

	2018	2017
Cash and cash equivalents	$ 7,442,105	$ 207,513
Mutual funds and ETFs	8,306,805	15,905,444
Common trust funds	18,006,409	19,638,518
Pooled investment fund	2,032,618	2,074,652
Donated land	190,000	309,200
	$35,977,937	$38,135,327

GAAP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. UPMIFA was adopted by the State of Maine in 2009. Mitchell Institute makes the following disclosures related to this guidance and adoption of UPMIFA:

3. Investments (Continued)

Investment Policies

Mitchell Institute has adopted investment and spending policies for its investments that attempt to provide a stream of funding to support programs of Mitchell Institute while seeking to maintain the purchasing power of the assets. Mitchell Institute's spending and investment policies work together to achieve this objective. Under the investment policy, as approved by the Board, the assets are invested in a manner that is intended to produce results that exceed the spending policy plus the rate of inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy its long-term objectives, Mitchell Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Mitchell Institute targets a diversified asset allocation that places an emphasis on achieving its long-term return objectives within prudent risk constraints.

Spending Policy for Appropriation of Assets for Expenditures

The spending policy calculates the amount of money distributed annually from Mitchell Institute's funds for scholarships and program support. Each year, the Board determines a percentage that may be withdrawn and used for scholarships or other such purposes up to a maximum of 5% of the investments. In the event that the Board determines that 5% is insufficient in any year, it may vote to exceed the maximum 5% in that year only, but not to exceed 7%. In establishing this policy, Mitchell Institute considered the long-term expected return on its investments. Over the long term, Mitchell Institute's objective is to maintain the purchasing power of its investments as well as provide growth through new gifts and investment return. Mitchell Institute has determined that this policy is in accordance with UPMIFA as adopted by the State of Maine.

Changes in Endowment Net Assets

Mitchell Institute had the following endowment-related activities including scholarship activities in endowment assets at December 31:

	Purpose Restricted	Perpetual in Nature	Total
2018			
Endowment net assets, January 1, 2018	$10,100,040	$28,282,809	$38,382,849
Investment return (loss)	(2,314,513)	–	(2,314,513)
Contributions	–	7,858	7,858
Appropriation for expenditure	(1,021,000)	–	(1,021,000)
Endowment net assets, December 31, 2018	$ 6,764,527	$28,290,667	$35,055,194

3. Investments (Continued)

	Purpose Restricted	Perpetual in Nature	Total
2017			
Endowment net assets, January 1, 2017	$ 5,777,357	$28,096,590	$33,873,947
Investment return	5,463,683	–	5,463,683
Contributions	–	186,219	186,219
Appropriation for expenditure	(1,141,000)	–	(1,141,000)
Endowment net assets, December 31, 2017	$10,100,040	$28,282,809	$38,382,849

Fair Value Measurements

As defined in GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, Mitchell Institute uses various methods including market, income and cost approaches. Based on these approaches, Mitchell Institute utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Mitchell Institute utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, Mitchell Institute is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets traded in active exchange markets, such as the New York Stock Exchange. Level 1 includes cash and cash equivalents as well as mutual funds and exchange traded funds, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets traded in less active dealer or broker markets. Valuations are obtained from third party pricing services and other sources for identical or similar assets.

Level 3 – Valuations for assets that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. Level 3 includes donated land.

In determining the appropriate levels, Mitchell Institute performs a detailed analysis of the assets and liabilities that are reported at fair value.

3. Investments (Continued)

The following table provides information on the assets carried at fair value as of December 31:

	Total	Level 1	Level 2	Level 3
2018				
Cash and cash equivalents	$ 7,442,105	$ 7,442,105	$ –	$ –
Mutual funds:				
Fixed income	34,838	34,838	–	–
Equity	448,522	448,522	–	–
ETFs:				
International	5,026,872	5,026,872	–	–
Fixed income	2,633,137	2,633,137	–	–
Equity	163,436	163,436	–	–
Donated land	190,000	–	–	190,000
	15,938,910	$15,748,910	$ –	$190,000
Common trust funds	18,006,409			
Pooled investment	2,032,618			
Total funds valued based upon net asset value	20,039,027			
Assets at fair value	$35,977,937			
2017				
Cash and cash equivalents	$ 207,513	$ 207,513	$ –	$ –
Mutual funds:				
Fixed income	30,650	30,650	–	–
Equity	516,318	516,318	–	–
Multialternative	24,331	24,331	–	–
ETFs:				
International	9,438,883	9,438,883	–	–
Fixed income	2,718,351	2,718,351	–	–
REIT index securities	358,841	358,841	–	–
Equity	1,996,925	1,996,925	–	–
Commodity	821,145	821,145	–	–
Donated land	309,200	–	–	309,200
	16,422,157	$16,112,957	$ –	$309,200
Common trust funds	19,638,518			
Pooled investment	2,074,652			
Total funds valued based upon net asset value	21,713,170			
Assets at fair value	$38,135,327			

3. Investments (Continued)

There are no changes in the methods used to determine fair values in 2018 or 2017.

As of December 31, 2018, the common trust funds and pooled investment fund include Wellington Trust Company (WTC) investments and a Wellington Hedge Management (WHM) investment. The WTC investments have no redemption restrictions or commitments to purchase. The WHM investment permits redemptions on the first day of each calendar quarter at a price equal to the NAV included on the immediately preceding valuation date. These redemptions require 45 days written notice and are subject to an initial one year lockup period. There are no commitments to purchase additional units. The significant investment strategies of the common trust funds and pooled investment fund which are carried at fair value based on the NAV of the underlying securities are as follows:

WTC-CTF Intermediate Bond – The objective of the Intermediate Bond Portfolio is to provide long-term total return in excess of the Barclays Capital Intermediate Government/Credit Bond Index. The portfolio typically invests in high quality U.S. fixed income securities.

WTC-CTF Small Cap 2000 – The objective of the Small Cap 2000 Portfolio is to provide returns consistently above those of the Russell 2000 Index. The portfolio primarily invests in common stock of small-cap companies.

WTC-CTF Enduring Assets – The objective of the Enduring Assets Portfolio is to provide attractive risk-adjusted returns by investing primarily in companies with long-lived physical assets that possess an advantaged competitive position and that exhibit low levels of earnings volatility.

WTC-CTF Global Opportunities – The objective of the Global Opportunities Portfolio is to provide long-term total return in excess of the MSCI All Country World Index. The portfolio invests in common stock, depository receipts and real estate securities of companies worldwide.

WTC-CTF Opportunistic Equity – The Opportunistic Equity Portfolio utilizes an unconstrained, nonbenchmark oriented investment approach. The MSCI All Country World Index is used as the primary reference benchmark. The portfolio seeks to make timely allocations to niche areas of capital markets.

WHM Archipelago Holdings, Ltd – Archipelago Holdings, Inc. is an actively managed company that seeks to achieve capital appreciation through investing in certain private investment funds that have been sponsored by, or may in the future be sponsored by, the company's investment manager or its affiliates. The portfolio is a collection of long/short equity hedge funds with a net long bias.

Donated land was received through an unrestricted campaign contribution. Fair value was determined through an independent appraisal and further reduced based on the current market conditions.

4. Contributions Receivable

Contributions receivable are due to be received as follows:

2019	$ 209,575
2020	50,000
2021	50,000
2022	50,000
2023	25,000
Thereafter	25,000
	409,575
Less allowance for uncollectible contributions receivable	(147,620)
Less discount to reflect contributions receivable at present value	(13,661)
Total contributions receivable	$ 248,294

5. Assets Held for Others

At December 31, 2018 and 2017, Mitchell Institute was holding $120,980 and $121,177, respectively, on behalf of another entity. Under an agreement with this entity, Mitchell Institute acts as an administrator for this scholarship fund.

6. Grants Payable

Each year Mitchell Institute awards a scholarship to a graduating senior from every public high school in Maine who will be attending a four-year or two-year degree program at an accredited college or university. The scholarship award is paid out in four equal annual installments and has been recorded as grants payable. Students pursuing a two-year degree are eligible for up to four years of scholarship support if they continue their education beyond the initial two years.

Future anticipated cash to be used for grants payable, for which all of the conditions have been met, are summarized as follows:

2019	$1,404,750
2020	948,500
2021	644,625
2022	320,625
	3,318,500
Less unamortized discount to reflect grants payable at present value	(81,590)
Total grants payable	$3,236,910

7. Net Assets

Net assets with donor restrictions consist of the following at December 31:

	2018	2017
Purpose restricted:		
Scholarships and scholar programs	$ 7,059,044	$10,442,698
Operating in future years	6,170	122,240
	7,065,214	10,564,938
Perpetual by nature:		
Senator George J. Mitchell Scholarship Fund	1,543,207	1,543,207
Scholarship Endowment Fund	25,954,166	25,949,041
Institutional Endowment Fund	950,000	950,000
	28,447,373	28,442,248
Allowance for uncollectible contributions receivable	(143,045)	(145,635)
Present value discount on contributions receivable	(13,661)	(13,804)
	$35,355,881	$38,847,747

8. Operating Lease

Effective January 1, 2015, Mitchell Institute entered into an operating lease for office space. The lease has a ten-year term ending December 31, 2024, with monthly rent of $4,170 through December 31, 2019. The monthly rent increases annually on the anniversary date with the maximum monthly rent of $4,834 in year ten of the lease. Rent expense which includes common area maintenance fees for the years ended December 31, 2018 and 2017 was $66,349 and $65,536, respectively.

The following are the noncancellable annual lease payments as of December 31, 2018:

2019	$ 50,040
2020	51,541
2021	53,087
2022	54,680
2023	56,320
Thereafter	58,010

9. Functional and Natural Expenses

Mitchell Institute provides scholarships to high school seniors. Expenses related to providing these services are as follows for the years ended December 31:

	Program Service	General and Administrative	Fund-raising	Total
2018				
Scholarships	$1,171,859	$ –	$ –	$1,171,859
Salaries	429,454	49,847	57,516	536,817
Benefits and taxes	92,024	10,681	12,325	115,030
Fellowships and other awards	112,123	–	–	112,123
Program events and conferences	46,886	–	–	46,886
Professional fees and contracted services	22,663	23,541	2,015	48,219
Occupancy and utilities	70,129	8,461	4,137	82,727
Office expense	43,278	9,292	5,743	58,313
Travel and meeting expense	7,864	271	429	8,564
Miscellaneous program expenses	9,700	–	–	9,700
Miscellaneous fundraising expenses	–	–	4,741	4,741
Depreciation	6,500	765	382	7,647
	$2,012,480	$102,858	$87,288	$2,202,626
2017				
Scholarships	$1,212,329	$ –	$ –	$1,212,329
Salaries	382,009	48,976	58,771	489,756
Benefits and taxes	74,722	9,580	11,496	95,798
Fellowships and other awards	99,708	–	–	99,708
Program events and conferences	57,475	–	–	57,475
Professional fees and contracted services	19,844	22,941	805	43,590
Occupancy and utilities	69,624	8,493	4,110	82,227
Office expense	45,353	10,200	8,347	63,900
Travel and meeting expense	7,817	395	973	9,185
Miscellaneous program expenses	7,384	–	–	7,384
Miscellaneous fundraising expenses	–	–	4,945	4,945
Depreciation	3,477	409	206	4,092
	$1,979,742	$100,994	$89,653	$2,170,389

Expenses are allocated to both programs and support services. Salaries, wages and overhead expenses are allocated based on estimates of time spent by the members of the staff. All other expenses are charged to each program based on direct expenditures incurred.

10. Liquidity and Availability

Financial assets available for general and program expenditures within one year of the statements of financial position date consist of the following at December 31:

	2018	2017
Cash and cash equivalents	$1,637,136	$2,750,980
Investments	1,156,000	286,000
	$2,793,136	$3,036,980

Mitchell Institute receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

Mitchell Institute's governing board has designated a portion of its unrestricted resources for endowment and other purposes. Those assets are included with investments above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. (See Note 3 for disclosures regarding the endowment.)