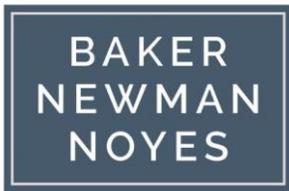


Senator George J. Mitchell Scholarship Research Institute

Audited Financial Statements

*Year Ended December 31, 2020 With Comparative
Information for the Year Ended December 31, 2019
With Independent Auditors' Report*



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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Senator George J. Mitchell Scholarship Research Institute's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Newman + Noyes LLC

Portland, Maine
May 18, 2021

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Investments (note 3)	\$45,719,548	\$40,948,281
Cash and cash equivalents (note 2)	2,701,937	1,545,357
Assets held for others (note 5)	139,906	131,426
Contributions receivable, net (note 4)	95,903	206,809
Accounts receivable	—	7,000
Prepaid expenses	22,452	19,594
Property and equipment	<u>37,729</u>	<u>50,026</u>
Total assets	<u>\$48,717,475</u>	<u>\$42,908,493</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 81,706	\$ 71,162
Grants payable (note 6)	3,716,857	3,465,913
Assets held for others (note 5)	139,906	131,426
Deferred grant revenue	<u>170,657</u>	<u>209,021</u>
Total liabilities	4,109,126	3,877,522
Net assets:		
Without donor restrictions	(494,454)	(1,172,109)
With donor restrictions (note 7)	<u>45,102,803</u>	<u>40,203,080</u>
Total net assets	<u>44,608,349</u>	<u>39,030,971</u>
Total liabilities and net assets	<u>\$48,717,475</u>	<u>\$42,908,493</u>

See accompanying notes.

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2020 and December 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>2020</u>	<u>2019</u>
Revenue:				
Contributions	\$ 1,214,942	\$ 251,037	\$ 1,465,979	\$ 733,779
Grant revenue	188,364	202,440	390,804	300,844
Special events	205,770	-	205,770	262,103
Less special events costs	(144)	-	(144)	(51,633)
Campaign	12,205	19,044	31,249	20,937
Interest and dividend income	3,308	508,426	511,734	621,455
Net realized and unrealized gains on investments (note 3)	-	5,519,463	5,519,463	5,307,768
Other revenue (note 11)	120,024	-	120,024	799
Net assets released from restriction	<u>1,600,687</u>	<u>(1,600,687)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	3,345,156	4,899,723	8,244,879	7,196,052
Expenses:				
Grants and program initiatives	1,444,694	-	1,444,694	1,401,878
Administrative and general:				
Program service expenses	990,421	-	990,421	930,803
Management and general	111,931	-	111,931	107,281
Fundraising	116,785	-	116,785	83,570
Campaign	<u>3,670</u>	<u>-</u>	<u>3,670</u>	<u>3,400</u>
Total expenses	<u>2,667,501</u>	<u>-</u>	<u>2,667,501</u>	<u>2,526,932</u>
Change in net assets	677,655	4,899,723	5,577,378	4,669,120
Net assets (deficit) at beginning of year	<u>(1,172,109)</u>	<u>40,203,080</u>	<u>39,030,971</u>	<u>34,361,851</u>
Net assets (deficit) at end of year	<u>\$ (494,454)</u>	<u>\$45,102,803</u>	<u>\$44,608,349</u>	<u>\$39,030,971</u>

See accompanying notes.

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2020 and December 31, 2019

	<u>2020</u>	<u>2019</u>
Cash flow from operating activities:		
Change in net assets	\$ 5,577,378	\$ 4,669,120
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	12,297	11,715
Net unrealized and realized investment gains	(5,519,463)	(5,307,768)
Restricted contributions	(472,521)	(460,515)
Decrease in contributions receivable	110,906	1,485
Decrease (increase) in accounts receivable	7,000	(5,250)
(Increase) in prepaid expenses	(2,858)	(2,523)
Increase in accounts payable and accrued expenses	10,544	6,598
Increase in grants payable	250,944	229,003
Decrease in deferred grant revenue	<u>(38,364)</u>	<u>(60,484)</u>
Net cash used by operating activities	(64,137)	(918,619)
Cash flows from investing activities:		
Purchases of investments	(8,340,722)	(18,906,801)
Sales of investments	9,088,918	19,244,225
Fixed asset additions	<u>—</u>	<u>(11,099)</u>
Net cash provided by investing activities	748,196	326,325
Cash flows from financing activities:		
Proceeds from restricted contributions	<u>472,521</u>	<u>500,515</u>
Net cash provided by financing activities	<u>472,521</u>	<u>500,515</u>
Net increase (decrease) in cash and cash equivalents	1,156,580	(91,779)
Cash and cash equivalents at beginning of year	<u>1,545,357</u>	<u>1,637,136</u>
Cash and cash equivalents at end of year	\$ <u>2,701,937</u>	\$ <u>1,545,357</u>

See accompanying notes.

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020 With Comparative
Information for the Year Ended December 31, 2019

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, 2020 and 2019 are for scholarship payments disbursed in early 2021 and 2020, 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.

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 \$128,750 and \$141,250 for the years ended December 31, 2020 and 2019, respectively. Amounts are charged off when deemed uncollectible.

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020 With Comparative
Information for the Year Ended December 31, 2019

2. Summary of Significant Accounting Policies (Continued)

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.

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.

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020 With Comparative
Information for the Year Ended December 31, 2019

2. Summary of Significant Accounting Policies (Continued)

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.

Prospective 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 currently effective in 2022. Mitchell Institute is currently reviewing ASU 2016-02 to determine the future impact on its financial statements.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The recent COVID-19 outbreak could negatively impact, for some period of time, the overall economy as well as certain business segments. Investment markets have experienced increased volatility which may negatively affect the carrying value of Mitchell Institute's investments. Any potential future impact on Mitchell Institute's operation is unknown at this time.

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 18, 2021 which is the date the financial statements were available to be issued.

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020 With Comparative
Information for the Year Ended December 31, 2019

3. Investments

Investments consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 829,988	\$ 1,447,396
Mutual funds and ETFs	14,421,530	11,138,355
Corporate bonds and international securities	2,685,980	2,320,280
U.S. Government securities	–	2,054,634
Common trust funds	27,592,050	22,565,413
Pooled investment fund	–	1,232,203
Donated land	<u>190,000</u>	<u>190,000</u>
	<u>\$45,719,548</u>	<u>\$40,948,281</u>

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:

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.

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020 With Comparative
Information for the Year Ended December 31, 2019

3. Investments (Continued)

The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the endowed gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Mitchell Institute considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Mitchell Institute has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Changes in Endowment Net Assets

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

	<u>Purpose Restricted</u>	<u>Perpetual in Nature</u>	<u>Total</u>
<u>2020</u>			
Endowment net assets, January 1, 2020	\$11,456,272	\$28,299,632	\$39,755,904
Investment return	6,027,888	–	6,027,888
Contributions	–	19,194	19,194
Appropriation for expenditure	<u>(1,225,900)</u>	<u>–</u>	<u>(1,225,900)</u>
Endowment net assets, December 31, 2020	<u>\$16,258,260</u>	<u>\$28,318,826</u>	<u>\$44,577,086</u>
<u>2019</u>			
Endowment net assets, January 1, 2019	\$ 6,764,527	\$28,290,667	\$35,055,194
Investment return	5,916,745	–	5,916,745
Contributions	–	8,965	8,965
Appropriation for expenditure	<u>(1,225,000)</u>	<u>–</u>	<u>(1,225,000)</u>
Endowment net assets, December 31, 2019	<u>\$11,456,272</u>	<u>\$28,299,632</u>	<u>\$39,755,904</u>

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020 With Comparative
Information for the Year Ended December 31, 2019

3. Investments (Continued)

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.

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020 With Comparative
Information for the Year Ended December 31, 2019

3. Investments (Continued)

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2020</u>				
Cash and cash equivalents	\$ 829,988	\$ 829,988	\$ -	\$ -
Mutual funds:				
Fixed income	1,894,806	1,894,806	-	-
Equity	584,890	584,890	-	-
ETFs:				
Fixed income	297,828	297,828	-	-
Equity	11,644,006	11,644,006	-	-
Bonds:				
Corporate bonds	2,437,170	-	2,437,170	-
International securities	248,810	-	248,810	-
Donated land	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>190,000</u>
	18,127,498	<u>\$15,251,518</u>	<u>\$2,685,980</u>	<u>\$190,000</u>
Common trust funds	<u>27,592,050</u>			
Total funds valued based upon net asset value	<u>27,592,050</u>			
Assets at fair value	<u>\$45,719,548</u>			
<u>2019</u>				
Cash and cash equivalents	\$ 1,447,396	\$ 1,447,396	\$ -	\$ -
Mutual funds:				
Fixed income	35,533	35,533	-	-
Equity	536,034	536,034	-	-
ETFs:				
Fixed income	301,940	301,940	-	-
Equity	10,264,848	10,264,848	-	-
Bonds:				
Corporate bonds	1,818,972	-	1,818,972	-
U.S. Government securities	2,054,634	-	2,054,634	-
International securities	501,308	-	501,308	-
Donated land	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>190,000</u>
	17,150,665	<u>\$12,585,751</u>	<u>\$4,374,914</u>	<u>\$190,000</u>
Common trust funds	22,565,413			
Pooled investment	<u>1,232,203</u>			
Total funds valued based upon net asset value	<u>23,797,616</u>			
Assets at fair value	<u>\$40,948,281</u>			

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020 With Comparative
Information for the Year Ended December 31, 2019

3. Investments (Continued)

There are no changes in the methods used to determine fair values in 2020 or 2019.

As of December 31, 2020, the common trust funds include Wellington Trust Company (WTC) investments. The WTC investments have no redemption restrictions or commitments to purchase. The significant investment strategies of the common trust funds 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 long-term return in excess 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 International, Quality Growth – The International Quality Growth Portfolio's investment objective is to provide long-term total returns above the MSCI AC World ex US Growth Index by investing in high quality growth companies which trade at a discount to the market. The Fund typically invests its daily cash balances in the CTF Short-Term Cash Portfolio, an affiliated short-term investment fund. Investments in the CTF Short-Term Cash Portfolio are governed by the investment guidelines.

WTC-CTF Research Equity – The objective of the Research Equity Portfolio is to provide a long-term return in excess of the S&P 500 Index. The portfolio invests typically in common stock and common trust funds.

WTC-CTF Durable Companies – The Fund is a nonbenchmark oriented investment portfolio that seeks to provide equity-like returns with less downside participation than the equity market over the long term. Although the approach is not benchmark-relative, the MSCI All Country World Index is used as a reference benchmark. The portfolio invests typically in common stock.

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.

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020 With Comparative
Information for the Year Ended December 31, 2019

4. Contributions Receivable

Contributions receivable are due to be received as follows:

2021	\$ 150,000
2022	50,000
2023	<u>25,000</u>
	225,000
Less allowance for uncollectible contributions receivable	(128,750)
Less discount to reflect contributions receivable at present value	<u>(347)</u>
Total contributions receivable	\$ <u>95,903</u>

5. Assets Held for Others

At December 31, 2020 and 2019, Mitchell Institute was holding \$139,906 and \$131,426, 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:

2021	\$1,603,750
2022	1,043,125
2023	722,500
2024	<u>362,500</u>
	3,731,875
Less unamortized discount to reflect grants payable at present value	<u>(15,018)</u>
Total grants payable	\$ <u>3,716,857</u>

**SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE**

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020 With Comparative
Information for the Year Ended December 31, 2019

7. Net Assets

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

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Scholarships and scholar programs	\$16,511,391	\$11,747,228
Operating in future years	<u>272,586</u>	<u>156,220</u>
	16,783,977	11,903,448
Perpetual by nature:		
Senator George J. Mitchell Scholarship Fund	1,543,207	1,543,207
Scholarship Endowment Fund	25,954,716	25,954,616
Institutional Endowment Fund	<u>950,000</u>	<u>950,000</u>
	28,447,923	28,447,823
Allowance for uncollectible contributions receivable	(128,750)	(141,250)
Present value discount on contributions receivable	<u>(347)</u>	<u>(6,941)</u>
	<u>\$45,102,803</u>	<u>\$40,203,080</u>

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, 2020. 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, 2020 and 2019 was \$68,888 and \$67,283, respectively.

The following are the noncancellable annual lease payments as of December 31, 2020:

2021	\$53,087
2022	54,680
2023	56,320
2024	58,010

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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:

	<u>Program Service</u>	<u>General and Administrative</u>	<u>Fund- raising</u>	<u>Total</u>
<u>2020</u>				
Scholarships	\$1,444,694	\$ –	\$ –	\$1,444,694
Salaries	490,512	52,662	58,680	601,854
Benefits and taxes	111,765	11,999	13,371	137,135
Fellowships and other awards	111,943	–	–	111,943
Program events and conferences	6,482	–	–	6,482
Professional fees and contracted services	24,050	28,733	4,429	57,212
Occupancy and utilities	72,572	8,538	4,279	85,389
Office expense	44,261	8,595	6,751	59,607
Travel and meeting expense	2,160	174	235	2,569
Miscellaneous program expenses	116,224	–	–	116,224
Miscellaneous fundraising expenses	–	–	32,095	32,095
Depreciation	<u>10,452</u>	<u>1,230</u>	<u>615</u>	<u>12,297</u>
	<u>\$2,435,115</u>	<u>\$111,931</u>	<u>\$120,455</u>	<u>\$2,667,501</u>
<u>2019</u>				
Scholarships	\$1,401,878	\$ –	\$ –	\$1,401,878
Salaries	471,815	50,655	56,444	578,914
Benefits and taxes	106,161	11,398	12,700	130,259
Fellowships and other awards	137,140	–	–	137,140
Program events and conferences	59,354	–	–	59,354
Professional fees and contracted services	11,909	26,007	1,332	39,248
Occupancy and utilities	69,591	8,187	4,094	81,872
Office expense	44,494	9,538	6,597	60,629
Travel and meeting expense	7,230	324	1,083	8,637
Miscellaneous program expenses	13,152	–	–	13,152
Miscellaneous fundraising expenses	–	–	4,135	4,135
Depreciation	<u>9,957</u>	<u>1,172</u>	<u>585</u>	<u>11,714</u>
	<u>\$2,332,681</u>	<u>\$107,281</u>	<u>\$ 86,970</u>	<u>\$2,526,932</u>

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.

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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, 2020:

Cash and cash equivalents	\$2,702,000
Investments	<u>1,295,000</u>
	<u>\$3,997,000</u>

In accordance with the spending policy, Mitchell Institute's governing board appropriates for expenditure a portion of its endowment for scholarships and other purposes. Those assets are included with investments above. Certain 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.)

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 as the funds are received.

11. Paycheck Protection Program

In April 2020, the Mitchell Institute received loan proceeds in the amount of \$118,037 under the Paycheck Protection Program (PPP). The PPP, established as part of the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act), provides for loans to businesses for amounts up to 2.5 times the average monthly payroll expenses of the Mitchell Institute. Loans and accrued interest have terms that are forgivable after eight weeks or twenty-four weeks, based on the borrower's election, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of the forgiveness can be reduced if the borrower terminated employees or reduced payroll below certain levels during the selected period.

When the Mitchell Institute applied for the loan, management believed it would qualify to have the loan forgiven under the terms of PPP, and therefore considered the loan to be, substantively, a conditional government grant. The Mitchell Institute initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and the right of return related to the PPP loan no longer existed. As of December 31, 2020, the Mitchell Institute had utilized all of the proceeds for payroll and other qualified expenses. The Mitchell Institute submitted its application for forgiveness of its PPP loan to its lender, Key Bank, on October 27, 2020. The Mitchell Institute received notification from Key Bank on December 30, 2020 that 100% of its PPP loan has been forgiven by the SBA (Small Business Administration) and no further action is required. The Mitchell Institute recognized \$118,037 as other income for the year ended December 31, 2020.