Senator George J. Mitchell Scholarship Research Institute

Financial Statements

Year Ended December 31, 2022 With Comparative Information for the Year Ended December 31, 2021 With Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

Board of Directors
Senator George J. Mitchell Scholarship Research Institute

Opinion

We have audited the financial statements of Senator George J. Mitchell Scholarship Research Institute (Mitchell Institute), which comprise the statement of financial position as of December 31, 2022, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mitchell Institute as of December 31, 2022, 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). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mitchell Institute 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mitchell Institute's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 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 Mitchell Institute'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mitchell Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Senator George J. Mitchell Scholarship Research Institute's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Newman Noyes LLC

Portland, Maine
May 16, 2023

SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
ASSETS		
Investments (note 3)	$42,778,376	$50,695,613
Cash and cash equivalents (note 2)	2,481,449	1,889,723
Assets held for others (note 5)	120,710	138,861
Contributions receivable, net (note 4)	261,091	127,500
Accounts receivable	12,250	11,007
Prepaid expenses	26,835	23,255
Property and equipment	35,531	25,432
Right-of-use assets (note 8)	117,543	–
Total assets	$45,833,785	$52,911,391
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 108,073	$ 102,097
Grants payable (note 6)	3,892,430	3,852,597
Assets held for others (note 5)	120,710	138,861
Deferred grant revenue	648,154	167,876
Lease liabilities (note 8)	117,543	–
Total liabilities	4,886,910	4,261,431
Net assets:		
Without donor restrictions	(361,392)	(416,369)
With donor restrictions (note 7)	41,308,267	49,066,329
Total net assets	40,946,875	48,649,960
Total liabilities and net assets	$45,833,785	$52,911,391

See accompanying notes.

SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2022 and December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Revenue:				
Contributions	$ 486,336	$ 749,454	$ 1,235,790	$ 799,613
Grant revenue	194,722	97,720	292,442	280,011
Special events	298,355	–	298,355	239,404
Less special events costs	(81,617)	–	(81,617)	(13,569)
Campaign	12,205	1,000	13,205	26,353
Interest and dividend income	137	639,764	639,901	581,772
Net realized and unrealized (losses) gains on investments (note 3)	(12,612)	(7,443,535)	(7,456,147)	4,736,715
Other revenue	1,606	–	1,606	2,802
Net assets released from restriction	1,802,465	(1,802,465)	–	–
Total revenue (loss), gain (losses) and other support	2,701,597	(7,758,062)	(5,056,465)	6,653,101
Expenses:				
Grants and program initiatives	1,315,715	–	1,315,715	1,395,615
Administrative and general:				
Program service expenses	1,083,586	–	1,083,586	942,339
Management and general	108,202	–	108,202	155,677
Fundraising	136,912	–	136,912	109,922
Campaign	2,205	–	2,205	7,937
Total expenses	2,646,620	–	2,646,620	2,611,490
Change in net assets	54,977	(7,758,062)	(7,703,085)	4,041,611
Net assets (deficit) at beginning of year	(416,369)	49,066,329	48,649,960	44,608,349
Net assets (deficit) at end of year	$ (361,392)	$41,308,267	$40,946,875	$48,649,960

See accompanying notes.

SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2022 and December 31, 2021

	2022	2021
Cash flow from operating activities:		
(Decrease) increase in net assets	$ (7,703,085)	$ 4,041,611
Adjustments to reconcile (decrease) increase in net assets to net cash used by operating activities:		
Depreciation	13,419	12,297
Net unrealized and realized investment losses (gains)	7,456,147	(4,736,715)
Restricted contributions	(848,174)	(393,843)
(Increase) in contributions receivable	(383,591)	(31,597)
(Increase) in accounts receivable	(1,243)	(11,007)
(Increase) in prepaid expenses	(3,580)	(803)
Increase in accounts payable and accrued expenses	5,976	20,391
Increase in grants payable	39,833	135,740
Increase (decrease) in deferred grant revenue	480,278	(2,781)
Net cash used by operating activities	(944,020)	(966,707)
Cash flows from investing activities:		
Purchases of investments	(4,171,886)	(7,968,986)
Sales of investments	4,632,976	7,729,636
Additions to property, plant and equipment	(23,518)	–
Net cash provided (used) by investing activities	437,572	(239,350)
Cash flows from financing activities:		
Proceeds from restricted contributions	1,098,174	393,843
Net cash provided by financing activities	1,098,174	393,843
Net (increase) decrease in cash and cash equivalents	591,726	(812,214)
Cash and cash equivalents at beginning of year	1,889,723	2,701,937
Cash and cash equivalents at end of year	$ 2,481,449	$ 1,889,723

Supplemental disclosure of noncash activities:
Mitchell Institute adopted the provisions of ASU 2016-02 effective January 1, 2022, which required Mitchell Institute to record right-of-use assets and lease liabilities totaling $165,675 (note 8).

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 include 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, 2022 and 2021 are for scholarship payments disbursed in early 2023 and 2022, 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 $114,000 and $115,000 for the years ended December 31, 2022 and 2021, respectively. Amounts are charged off when deemed uncollectible.

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

Based on the existence or absence of donor-imposed restrictions, the Mitchell Institute reports information regarding its financial position and activities according to classes of net assets as follows:

> Net assets without donor restrictions represent expendable resources that are available for operations at management's discretion. This includes a board restricted endowment to support the mission of Mitchell Institute.
>
> Net assets with donor restrictions are those subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Mitchell Institute or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Mitchell Institute follows the *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA). UPMIFA eliminated the historical dollar threshold concept and established prudent spending guidelines that consider both the duration and preservation of the fund. As a result, subject to the donor's intent as expressed in a gift agreement or similar document, a charitable organization may spend the amount of income and/or principal, even from an underwater fund, it deems prudent after considering the factors listed in UPMIFA.

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 restriction 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.

2. Summary of Significant Accounting Policies (Continued)

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.

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.

Leases

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires that lease arrangements longer than twelve months result in an entity recognizing an asset and liability. The pronouncement is effective for Mitchell Institute beginning January 1, 2022. Under Accounting Standards Codification (ASC) Topic 842, an entity may elect, as a practical expedient, not to reassess the lease classification for expired or existing leases. Mitchell Institute has elected to adopt this practical expedient; as such, the lease classification of the transition lease will not be reassessed, and this lease will remain as an operating lease upon Mitchell Institute's adoption of ASC Topic 842.

Mitchell Institute determines if an arrangement is a lease at the inception of a contract. A lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.

2. Summary of Significant Accounting Policies (Continued)

Right-of-use assets represent Mitchell Institute's right to use an underlying asset during the lease term and lease liabilities represent Mitchell Institute's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. Mitchell Institute's lease terms include options to extend or terminate the lease when it is reasonably certain that the options will be exercised.

Mitchell Institute determines the present value of future lease payments using the rate implicit in the lease or, if that rate cannot be readily determined, the risk free rate as the discount rate. As most of Mitchell Institute's operating leases do not provide an implicit rate, Mitchell Institute generally uses the risk free rate.

Operating lease expense is recognized on a straight-line basis over the lease term.

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 16, 2023, which is the date the financial statements were available to be issued.

3. Investments

Investments consist of the following at December 31:

	2022	2021
Cash and cash equivalents	$ 1,613,548	$ 1,284,328
Mutual funds and ETFs	11,546,956	15,460,522
Corporate bonds and international securities	1,898,504	3,023,872
U.S. government securities	3,064,470	1,555,440
Common trust funds	24,654,898	29,371,451
	$42,778,376	$50,695,613

Endowment

Mitchell Institute's endowment consists of two individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

3. Investments (Continued)

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 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.

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.

3. Investments (Continued)

Changes in Endowment Net Assets

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

	Board Designated	Purpose Restricted	Perpetual in Nature	Total
2022				
Endowment net assets, January 1, 2022	$1,500,612	$20,055,855	$28,433,023	$49,989,490
Investment return	(12,612)	(6,803,770)	–	(6,816,382)
Contributions	10,000	–	619,174	629,174
Appropriation for expenditure	–	(1,430,000)	–	(1,430,000)
Endowment net assets, December 31, 2022	$1,498,000	$11,822,085	$29,052,197	$42,372,282
2021				
Endowment net assets, January 1, 2021	$ –	$16,258,260	$28,318,826	$44,577,086
Investment return	136,315	5,182,017	–	5,318,332
Contributions	1,405,500	–	114,197	1,519,697
Appropriation for expenditure	(41,203)	(1,384,422)	–	(1,425,625)
Endowment net assets, December 31, 2021	$1,500,612	$20,055,855	$28,433,023	$49,989,490

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:

3. Investments (Continued)

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.

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

	Total	Level 1	Level 2	Level 3
2022				
Cash and cash equivalents	$ 1,613,548	$ 1,613,548	$ –	$ –
Mutual funds:				
Fixed income	154,013	154,013	–	–
Equity	556,074	556,074	–	–
Real estate	54,286	54,286	–	–
ETFs:				
Fixed income	77,645	77,645	–	–
Equity	10,704,938	10,704,938	–	–
Bonds:				
Corporate bonds	1,722,064	–	1,722,064	–
U.S. government securities	3,064,470	–	3,064,470	–
International securities	176,440	–	176,440	–
	18,123,478	$13,160,504	$4,962,974	$ –
Common trust funds	24,654,898			
Total funds valued based upon net asset value	24,654,898			
Assets at fair value	$42,778,376			

3. Investments (Continued)

	Total	Level 1	Level 2	Level 3
2021				
Cash and cash equivalents	$ 1,284,328	$ 1,284,328	$ –	$ –
Mutual funds:				
Fixed income	995,636	995,636	–	–
Equity	664,374	664,374	–	–
Real estate	16,150	16,150	–	–
ETFs:				
Fixed income	194,127	194,127	–	–
Equity	13,590,235	13,590,235	–	–
Bonds:				
Corporate bonds	2,683,940	–	2,683,940	–
U.S. government securities	1,555,440	–	1,555,440	–
International securities	339,932	–	339,932	–
	21,324,162	$16,744,850	$4,579,312	$ –
Common trust funds	29,371,451			
Total funds valued based upon net asset value	29,371,451			
Assets at fair value	$50,695,613			

There are no changes in the methods used to determine fair values in 2022 or 2021.

As of December 31, 2022, 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 Bloomberg Barclays U.S. 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.

3. Investments (Continued)

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 U.S. 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.

WTC-CTF Emerging Markets Research – The objective of the Emerging Markets Research Equity Portfolio is to provide long-term total return in excess of the MSCI Emerging Markets Index.

WTC-CTF Global Total Return – The objective of the Global Total Return Portfolio is to generate excess returns over the Bank of America Merrill Lynch 3-Month T-Bill Index denominated in the base currency.

WTC-CTF Quality Value – The fund's investment objective is long-term return in excess of the Russell 1000 Value Index.

Donated land was received through an unrestricted campaign contribution. The land was sold in 2021 and Mitchell Institute recorded a gain of $82,500 related to the sale.

4. Contributions Receivable

Contributions receivable are due to be received as follows:

2023	$ 189,300
2024	50,000
2025	50,000
2026	50,000
2027	50,000
	389,300
Less allowance for uncollectible contributions receivable	(114,000)
Less discount to reflect contributions receivable at present value	(14,209)
Total contributions receivable	$ 261,091

5. Assets Held for Others

At December 31, 2022 and 2021, Mitchell Institute was holding $120,710 and $138,861, 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:

2023	$1,810,618
2024	1,092,500
2025	730,000
2026	367,500
	4,000,618
Less unamortized discount to reflect grants payable at present value	(108,188)
Total grants payable	$3,892,430

7. Net Assets

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

	2022	2021
Purpose restricted:		
Scholarships and scholar programs	$12,168,258	$20,273,069
Operating in future years	87,812	360,237
	12,256,070	20,633,306
Perpetual by nature:		
Senator George J. Mitchell Scholarship Fund	1,543,207	1,543,207
Scholarship Endowment Fund	26,357,566	26,054,816
Institutional Endowment Fund	1,279,633	950,000
	29,180,406	28,548,023
Allowance for uncollectible contributions receivable	(114,000)	(115,000)
Present value discount on contributions receivable	(14,209)	–
	$41,308,267	$49,066,329

8. Operating Lease

Adoption of ASC Topic 842, Leases (ASC 842)

ASC 842 became effective for Mitchell Institute on January 1, 2022 and was adopted using the modified retrospective method for all leases that had commenced as of the effective date, along with certain available practical expedients. Mitchell Institute elected to recognize any effects of applying the new standard as a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, which there were none. In addition, Mitchell Institute elected to adopt the package of practical expedients permitted under the transition guidance within the new standard. The practical expedient package applied to leases that commenced prior to the effective date of the new standard and permits a reporting entity not to: i) reassess whether any expired or existing contracts are or contain leases, ii) reassess the historical lease classification for any expired or existing leases, and iii) reassess initial direct costs for any existing leases. The reporting results for fiscal year 2022 reflect the application of ASC 842 guidance while the historical results for fiscal year 2021 were prepared under the guidance of ASC 840. The adoption of the new standard did not have a significant impact upon the Institutes' statements of activities and cash flows. The adoption of the new standard resulted in the following impact to the statement of financial position: i) the recording of right-of-use assets and corresponding lease liabilities pertaining to Mitchell Institute's operating leases on the statement of financial position.

Mitchell Institute utilizes operating leases for the use of certain office buildings and office equipment. Most leases include one or more options to renew the lease at the end of the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. All such options are at Mitchell Institute's discretion and are evaluated at the commencement of the lease, with only those that are reasonably certain of exercise included in determining the appropriate lease term. The components of lease cost and rent expense for the year ended December 31, 2022 are as follows:

The following table presents lease-related assets and liabilities at December 31, 2022:

Assets:	
Right-of-use assets	$117,543
Liabilities:	
Lease liabilities	$117,543

The components of lease cost and rent expense for the year ended December 31, 2022 are as follows:

Operating lease expense	$ 56,998

Lease term and discount rate is as follows at December 31, 2022:

Weighted-average remaining lease term in years	2.12
Weighted-average discount rate	3.25%

8. Operating Lease (Continued)

Future minimum operating lease payments under operating obligations at December 31, 2022 are as follows:

2023	$ 58,638
2024	59,640
2025	1,630
2026	1,630
2027	272
Total minimum future payments	121,810
Less imputed interest	(4,267)
Total liabilities	$117,543

As of December 31, 2021, future minimum lease payments prepared under the previous guidance of ASC 840 were as follows:

2022	$54,680
2023	56,321
2024	58,010

Total rent expense in 2021 was approximately $72,151.

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
2022				
Scholarships	$1,315,715	$ –	$ –	$1,315,715
Salaries	556,526	48,889	89,955	695,370
Benefits and taxes	124,753	11,014	20,266	156,033
Fellowships and other awards	145,179	–	–	145,179
Program events and conferences	74,751	–	–	74,751
Professional fees and contracted services	16,462	23,942	2,891	43,295
Occupancy and utilities	79,777	9,318	4,931	94,026
Office expense	54,027	11,591	13,719	79,337
Travel and meeting expense	12,334	2,501	668	15,503
Miscellaneous program expenses	9,048	–	–	9,048
Miscellaneous fundraising expenses	–	–	4,944	4,944
Depreciation	10,729	947	1,743	13,419
	$2,399,301	$108,202	$139,117	$2,646,620

9. Functional and Natural Expenses (Continued)

	Program Service	General and Administrative	Fund-raising	Total
2021				
Scholarships	$1,395,615	$ –	$ –	$1,395,615
Salaries	501,602	47,262	62,775	611,639
Benefits and taxes	116,787	11,041	14,638	142,466
Fellowships and other awards	106,756	–	–	106,756
Program events and conferences	6,057	–	–	6,057
Professional fees and contracted services	20,352	71,806	11,912	104,070
Occupancy and utilities	75,578	8,891	4,446	88,915
Office expense	47,773	11,403	8,439	67,615
Travel and meeting expense	2,834	4,044	221	7,099
Miscellaneous program expenses	54,148	–	–	54,148
Miscellaneous fundraising expenses	–	–	14,813	14,813
Depreciation	10,452	1,230	615	12,297
	$2,337,954	$155,677	$117,859	$2,611,490

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 statement of financial position date consist of the following at December 31, 2022:

Cash and cash equivalents	$2,481,449
Investments	1,031,800
	$3,513,249

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. Retirement Plan

The Mitchell Institute has established a retirement annuity plan under the provisions of Section 403(b) of the Internal Revenue Code (Code) which covers all employees. Employees are eligible to participate in the plan after three months of employment. Participating employees are 100% vested immediately. The Mitchell Institute contributes up to 5% of an employee's eligible compensation to the plan based on the employee's election under a flexible benefits package for retirement and supplemental benefits. The Mitchell Institute contributed $26,575 and $23,335 to the plan in 2022 and 2021, respectively.

The Mitchell Institute has also established a group supplemental retirement annuity plan under the provisions of Section 403(b) of the Code, whereby the employees fund all contributions to the plan and are 100% vested immediately. Employees are eligible to participate in the plan after three months of employment. Employees may elect to contribute an amount or percentage of their compensation, up to the maximum amount allowed by the Code, to the plan.