Senator George J. Mitchell Scholarship Research Institute

Financial Statements

Year Ended December 31, 2025 With Comparative Information for the Year Ended December 31, 2024 With Independent Auditors' Report

Baker Newman & Noyes LLC
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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, 2025, 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, 2025, 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.

Board of Directors
Senator George J. Mitchell Scholarship Research Institute

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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Newman + Noyes LLC

Portland, Maine
May 19, 2026

SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE

STATEMENTS OF FINANCIAL POSITION

December 31, 2025 and 2024

	2025	2024
ASSETS		
Investments (note 3)	$56,074,617	$50,684,101
Cash and cash equivalents (note 2)	2,096,704	1,568,859
Contributions receivable, net (note 4)	1,712,932	543,847
Accounts receivable	13,595	27,000
Prepaid expenses	46,000	35,916
Property and equipment, net	41,069	45,189
Right-of-use assets (note 7)	253,516	302,423
Total assets	$60,238,433	$53,207,335
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 68,720	$ 69,459
Grants payable (note 5)	4,757,010	4,339,568
Deferred grant revenue	102,444	272,922
Lease liabilities (note 7)	253,516	302,423
Total liabilities	5,181,690	4,984,372
Net assets:		
Without donor restrictions	(405,736)	(339,631)
With donor restrictions (note 6)	55,462,479	48,562,594
Total net assets	55,056,743	48,222,963
Total liabilities and net assets	$60,238,433	$53,207,335

See accompanying notes.

SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2025 With Comparative
Information for the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	2025	2024
Revenue:				
Contributions	$ 653,030	$ 2,752,441	$ 3,405,471	$ 1,909,041
Grant revenue	170,479	213,188	383,667	254,483
Special events	448,366	–	448,366	429,441
Less special events costs	(142,989)	–	(142,989)	(117,462)
Interest and dividend income	51,989	1,202,843	1,254,832	1,177,705
Net realized and unrealized gains on investments (note 3)	190,920	4,858,748	5,049,668	4,446,763
Other revenue	4,675	–	4,675	4,110
Net assets released from restriction	2,127,335	(2,127,335)	–	–
Total revenue, gain and other support	3,503,805	6,899,885	10,403,690	8,104,081
Expenses:				
Grants and program initiatives	1,887,239	–	1,887,239	1,735,370
Administrative and general:				
Program service expenses	1,355,729	–	1,355,729	1,190,496
Management and general	129,273	–	129,273	158,358
Fundraising	197,669	–	197,669	172,194
Total expenses	3,569,910	–	3,569,910	3,256,418
Change in net assets	(66,105)	6,899,885	6,833,780	4,847,663
Net (deficit) assets at beginning of year	(339,631)	48,562,594	48,222,963	43,375,300
Net (deficit) assets at end of year	$ (405,736)	$55,462,479	$55,056,743	$48,222,963

See accompanying notes.

SENATOR GEORGE J. MITCHELL
SCHOLARSHIP RESEARCH INSTITUTE

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2025 and 2024

	2025	2024
Cash flow from operating activities:		
Increase in net assets	$ 6,833,780	$ 4,847,663
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	13,320	10,731
Net unrealized and realized investment gains	(5,049,668)	(4,446,763)
Restricted contributions	(2,965,629)	(1,434,921)
Decrease (increase) in contributions receivable	80,915	(242,743)
Decrease (increase) in accounts receivable	13,405	(20,650)
(Increase) in prepaid expenses	(10,084)	(3,968)
(Decrease) increase in accounts payable and accrued expenses	(739)	22,068
Increase in grants payable	417,442	313,563
(Decrease) in deferred grant revenue	(170,478)	(195,953)
Net cash used by operating activities	(837,736)	(1,150,973)
Cash flows from investing activities:		
Purchases of investments	(2,056,356)	(2,349,322)
Sales of investments	1,715,508	1,715,943
Additions to property, plant and equipment	(9,200)	(26,542)
Net cash used by investing activities	(350,048)	(659,921)
Cash flows from financing activities:		
Proceeds from restricted contributions	1,715,629	1,434,921
Net cash provided by financing activities	1,715,629	1,434,921
Net increase (decrease) in cash and cash equivalents	527,845	(375,973)
Cash and cash equivalents at beginning of year	1,568,859	1,944,832
Cash and cash equivalents at end of year	$ 2,096,704	$ 1,568,859
Supplemental disclosure of noncash activity:		
Restricted endowment contributions – new pledges	$ 1,250,000	$ –

See accompanying notes.

1. Description of Organization

The Senator George J. Mitchell Scholarship Research Institute (the Institute) is dedicated to advancing the Senator's mission to increase the likelihood that young people from every community in Maine will aspire to, pursue and achieve a college education. The Institute works with young people statewide who face uphill battles on their way to college and levels the playing field for them by providing financial resources and a broad range of support. Each year, the Institute awards a scholarship to at least one graduating senior from every public high school in Maine. The Mitchell Institute awarded 200 and 184 scholarships in 2025 and 2024, respectively. In addition to the scholarship, the Institute provides support, including personal and professional development programming, opportunities for additional funding for internships and study abroad, and access to a network that provides lasting relationships and career advice. The Institute believes every Maine student deserves an opportunity to succeed, and that success positively impacts the Scholar and all Maine communities. The Institute's research documents the college and career experiences of its Scholars, provides evidence of Scholars' success, and evaluates its programs and events to ensure that Mitchell Scholars and Alumni receive effective support.

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 and certificates of deposit which exceed FDIC insurance coverage limits. Mitchell Institute invests in money market funds and certificates of deposit 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, 2025 and 2024 are for scholarship payments disbursed in early 2026 and 2025, 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 $99,000 for the years ended December 31, 2025 and 2024. 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

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.

2. Summary of Significant Accounting Policies (Continued)

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.

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.

2. Summary of Significant Accounting Policies (Continued)

Leases

Mitchell Institute accounts for leases in accordance with Accounting Standards Codification (ASC) 842, *Leases*. The core principle of ASC 842 is that a lessee should recognize on the balance sheet the assets and liabilities that arise from leases. Under ASC Topic 842, an entity may elect, as a practical expedient, not to reassess the lease classification for expiring or existing leases.

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.

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.

Reclassifications

Certain 2024 amounts have been reclassified to permit comparison with the 2025 financial statements presentation format.

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 19, 2026, which is the date the financial statements were available to be issued.

3. Investments

Investments consist of the following at December 31:

	2025	2024
Cash and cash equivalents	$ 2,582,031	$ 2,866,071
Mutual funds and ETFs	39,554,246	34,577,111
Corporate bonds and international securities	4,358,826	2,227,834
U.S. government securities	9,579,514	11,013,085
	$56,074,617	$50,684,101

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.

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.

3. Investments (Continued)

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 returns. 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.

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
2025				
Endowment net assets, January 1, 2025	$1,720,256	$17,555,263	$30,386,112	$49,661,631
Investment return	197,823	6,061,592	–	6,259,415
Contributions	13,624	–	1,937,051	1,950,675
Appropriation for expenditure	(48,650)	(1,493,980)	–	(1,542,630)
Endowment net assets, December 31, 2025	$1,883,053	$22,122,875	$32,323,163	$56,329,091

3. Investments (Continued)

	Board Designated	Purpose Restricted	Perpetual in Nature	Total
2024				
Endowment net assets, January 1, 2024	$1,571,947	$13,667,793	$29,374,067	$44,613,807
Investment return	190,920	5,387,859	–	5,578,779
Contributions	10,000	–	1,012,045	1,022,045
Appropriation for expenditure	(52,611)	(1,500,389)	–	(1,553,000)
Endowment net assets, December 31, 2024	$1,720,256	$17,555,263	$30,386,112	$49,661,631

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.

3. Investments (Continued)

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
2025				
Cash and cash equivalents	$ 2,582,031	$ 2,582,031	$ –	$ –
Mutual funds:				
Fixed income	334,276	334,276	–	–
Equity	1,001,875	1,001,875	–	–
Real estate	77,319	77,319	–	–
ETFs:				
Equity	38,140,776	38,140,776	–	–
Bonds:				
Corporate bonds	4,358,826	–	4,358,826	–
U.S. government securities	9,579,514	–	9,579,514	–
Assets at fair value	$56,074,617	$42,136,277	$13,938,340	$ –
2024				
Cash and cash equivalents	$ 2,866,071	$ 2,866,071	$ –	$ –
Mutual funds:				
Fixed income	279,227	279,227	–	–
Equity	848,427	848,427	–	–
Real estate	58,101	58,101	–	–
ETFs:				
Equity	33,391,356	33,391,356	–	–
Bonds:				
Corporate bonds	1,887,362	–	1,887,362	–
U.S. government securities	11,013,085	–	11,013,085	–
International securities	340,472	–	340,472	–
Assets at fair value	$50,684,101	$37,443,182	$13,240,919	$ –

4. Contributions Receivable

Contributions receivable are due to be received as follows:

2026	$1,214,714
2027	590,000
2028	15,000
2029	15,000
	1,834,714
Less allowance for uncollectible contributions receivable	(99,000)
Less discount to reflect contributions receivable at present value	(22,782)
Total contributions receivable	$1,712,932

5. 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:

2026	$2,106,702
2027	1,375,000
2028	960,000
2029	500,000
	4,941,702
Less unamortized discount to reflect grants payable at present value	(184,692)
Total grants payable	$4,757,010

6. Net Assets

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

	2025	2024
Purpose restricted:		
Scholarships and scholar programs	$22,663,709	$17,872,799
Operating in future years	475,607	303,683
	23,139,316	18,176,482
Perpetual by nature:		
Senator George J. Mitchell Scholarship Fund	1,543,207	1,543,207
Scholarship Endowment Fund	28,540,443	27,590,313
Institutional Endowment Fund	2,359,634	1,359,634
	32,443,284	30,493,154
Allowance for uncollectible contributions receivable	(99,000)	(99,000)
Present value discount on contributions receivable	(21,121)	(8,042)
	$55,462,479	$48,562,594

7. Operating Lease

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 Institute exercised the option to extend the office building lease in 2023 for an additional five years.

7. Operating Lease (Continued)

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

	2025	2024
Assets:		
Right-of-use assets	$253,516	$302,423
Liabilities:		
Lease liabilities	$253,516	$302,423

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

	2025	2024
Operating lease expense	$ 58,104	$ 60,280

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

	2025	2024
Weighted-average remaining lease term in years	3.97	4.96
Weighted-average discount rate	3.26%	3.26%

Future minimum operating lease payments under operating obligations at December 31, 2025 are as follows:

2026	$ 65,616
2027	66,792
2028	68,496
2029	70,046
Total minimum future payments	270,950
Less imputed interest	(17,434)
Total liabilities	$253,516

8. 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
2025				
Scholarships	$1,887,239	$ –	$ –	$1,887,239
Salaries	648,534	60,476	114,903	823,913
Benefits and taxes	139,025	12,993	24,687	176,705
Fellowships and other awards	223,585	–	–	223,585
Program events and conferences	78,962	–	–	78,962
Professional fees and contracted services	48,200	28,191	13,869	90,260
Occupancy and utilities	84,211	9,852	5,223	99,286
Office expense	80,742	16,412	21,925	119,079
Travel and meeting expense	13,764	370	1,948	16,082
Miscellaneous program expenses	28,227	–	–	28,227
Miscellaneous fundraising expenses	–	–	13,252	13,252
Depreciation	10,479	979	1,862	13,320
	$3,242,968	$129,273	$197,669	$3,569,910
2024				
Scholarships	$1,735,370	$ –	$ –	$1,735,370
Salaries	595,938	57,764	114,757	768,459
Benefits and taxes	128,867	12,044	22,883	163,794
Fellowships and other awards	188,368	–	–	188,368
Program events and conferences	67,595	–	–	67,595
Professional fees and contracted services	24,503	62,311	2,836	89,650
Occupancy and utilities	85,537	10,008	5,301	100,846
Office expense	57,025	15,128	18,306	90,459
Travel and meeting expense	11,951	314	1,442	13,707
Miscellaneous program expenses	22,269	–	–	22,269
Miscellaneous fundraising expenses	–	–	5,170	5,170
Depreciation	8,443	789	1,499	10,731
	$2,925,866	$158,358	$172,194	$3,256,418

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.

9. 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, 2025:

Cash and cash equivalents	$2,096,704
Investments	1,525,500
	$3,622,204

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.

10. 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 $38,016 and $32,720 to the plan in 2025 and 2024, 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.