

THE BAKKEN
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**THE BAKKEN
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Bakken
Minneapolis, Minnesota

We have audited the accompanying financial statements of The Bakken, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of activity, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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
The Bakken

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bakken at December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 30, 2018

**THE BAKKEN
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Operating	\$ 804,839	\$ 384,621
Inventory	17,740	15,108
Prepaid Expenses	11,245	3,972
Pledges Receivable - Current Portion	129,837	688,109
Contribution Receivable from Lead Trust - Current Portion	300,000	300,000
Other Receivables	37,394	43,180
Total Current Assets	1,301,055	1,434,990
LONG-TERM PORTION OF CONTRIBUTION RECEIVABLE FROM LEAD TRUST	916,634	1,014,072
LIBRARY AND MUSEUM COLLECTIONS	2,948,523	2,948,523
LONG-TERM PORTION OF PLEDGES RECEIVABLE	151,304	497,256
PROPERTY AND EQUIPMENT		
Land and Building	6,652,481	6,581,111
Fixtures and Equipment	302,788	293,276
Total	6,955,269	6,874,387
Less: Accumulated Depreciation	(4,895,830)	(4,558,981)
Total Property and Equipment	2,059,439	2,315,406
Total Assets	\$ 7,376,955	\$ 8,210,247
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Capital Lease Obligations, Current	\$ 1,937	\$ 1,700
Accounts Payable	81,565	61,397
Accrued Payroll and Related Liabilities	24,312	47,629
Deferred Revenue	24,455	20,396
Notes Payable, Current	19,905	19,145
Other Liabilities	-	2,238
Total Current Liabilities	152,174	152,505
LONG-TERM LIABILITIES		
Capital Lease Obligations, Long-Term	3,218	5,155
Notes Payable, Long-Term	44,043	63,948
Total Long-Term Liabilities	47,261	69,103
Total Liabilities	199,435	221,608
NET ASSETS		
Unrestricted - Undesignated	5,021,177	5,383,220
Unrestricted - Board Designated	90,000	90,000
Total Unrestricted	5,111,177	5,473,220
Temporarily Restricted	2,066,343	2,515,419
Total Net Assets	7,177,520	7,988,639
Total Liabilities and Net Assets	\$ 7,376,955	\$ 8,210,247

See accompanying Notes to Financial Statements.

**THE BAKKEN
STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND OTHER REVENUE						
Support:						
Contributions	\$ 420,337	\$ 432,415	\$ 852,752	\$ 385,267	\$ 117,923	\$ 503,190
Other Revenue:						
Facility Use Fees	98,618	-	98,618	83,480	-	83,480
Program Service Fees, Net of Scholarships of \$71,871 and \$72,710, Respectively	494,345	-	494,345	429,281	-	429,281
Interest Income	25	-	25	16	-	16
Book Sales, Net of Cost of Goods Sold of \$-0- and \$4,658, Respectively	352	-	352	(1,298)	-	(1,298)
Change in Split Interest Agreement	-	202,562	202,562	-	206,311	206,311
Miscellaneous	41,176	-	41,176	76,285	-	76,285
Total Other Revenue	<u>634,516</u>	<u>202,562</u>	<u>837,078</u>	<u>587,764</u>	<u>206,311</u>	<u>794,075</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,084,053</u>	<u>(1,084,053)</u>	<u>-</u>	<u>1,343,793</u>	<u>(1,343,793)</u>	<u>-</u>
Total Support and Other Revenue	2,138,906	(449,076)	1,689,830	2,316,824	(1,019,559)	1,297,265
EXPENSES						
Program Services	1,880,117	-	1,880,117	2,055,717	-	2,055,717
Management and General	355,533	-	355,533	291,016	-	291,016
Fundraising	265,299	-	265,299	286,222	-	286,222
Total Expenses	<u>2,500,949</u>	<u>-</u>	<u>2,500,949</u>	<u>2,632,955</u>	<u>-</u>	<u>2,632,955</u>
CHANGE IN NET ASSETS	(362,043)	(449,076)	(811,119)	(316,131)	(1,019,559)	(1,335,690)
Net Assets - Beginning of Year	<u>5,473,220</u>	<u>2,515,419</u>	<u>7,988,639</u>	<u>5,789,351</u>	<u>3,534,978</u>	<u>9,324,329</u>
NET ASSETS - END OF YEAR	<u>\$ 5,111,177</u>	<u>\$ 2,066,343</u>	<u>\$ 7,177,520</u>	<u>\$ 5,473,220</u>	<u>\$ 2,515,419</u>	<u>\$ 7,988,639</u>

See accompanying Notes to Financial Statements.

THE BAKKEN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	2017			
	Program	Management and General Administrative	Fundraising	Total
Salaries	\$ 898,241	\$ 166,043	\$ 168,293	\$ 1,232,577
Benefits	83,302	12,583	12,772	108,657
Payroll Taxes	66,206	11,611	12,298	90,115
Total Personnel Costs	1,047,749	190,237	193,363	1,431,349
Consultants	240,984	20,213	2,727	263,924
Advertising and Promotion	55,301	555	7,461	63,317
Program and Office Supplies	80,863	9,078	4,254	94,195
Information Technology	21,160	2,214	6,351	29,725
Occupancy	110,081	14,992	12,204	137,277
Travel	14,082	9,975	1,949	26,006
Conferences, Conventions, and Meetings	6,419	3,650	703	10,772
Staff Development and Recruitment	7,975	23,373	1,068	32,416
Depreciation	267,777	37,823	31,372	336,972
Insurance	27,638	3,904	3,238	34,780
Interest Expense	-	3,702	-	3,702
Bad Debt Expense	-	2,620	-	2,620
Taxes and Fees	88	33,197	609	33,894
Total Expense	\$ 1,880,117	\$ 355,533	\$ 265,299	\$ 2,500,949

See accompanying Notes to Financial Statements.

THE BAKKEN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	2016			
	Program	Management and General Administrative	Fundraising	Total
Salaries	\$ 907,197	\$ 155,798	\$ 171,709	\$ 1,234,704
Benefits	96,637	14,024	13,175	123,836
Payroll Taxes	67,255	10,772	12,398	90,425
Total Personnel Costs	<u>1,071,089</u>	<u>180,594</u>	<u>197,282</u>	<u>1,448,965</u>
Consultants	367,444	23,439	-	390,883
Advertising and Promotion	17,095	2,355	5,302	24,752
Program and Office Supplies	120,995	8,410	216	129,621
Information Technology	20,450	1,527	4,751	26,728
Occupancy	107,286	15,761	16,535	139,582
Travel	9,078	1,144	5,305	15,527
Conferences, Conventions, and Meetings	10,006	1,785	502	12,293
Staff Development and Recruitment	1,749	3,488	725	5,962
Depreciation	252,461	25,619	43,243	321,323
Insurance	63,017	6,393	10,791	80,201
Interest Expense	-	3,560	-	3,560
Bad Debt Expense	-	150	1,000	1,150
Taxes and Fees	15,047	16,791	570	32,408
Total Expense	<u>\$ 2,055,717</u>	<u>\$ 291,016</u>	<u>\$ 286,222</u>	<u>\$ 2,632,955</u>

See accompanying Notes to Financial Statements.

THE BAKKEN
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (811,119)	\$ (1,335,690)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	336,972	321,323
(Increase) Decrease in Current Assets:		
Inventory	(2,632)	(2,944)
Prepaid Expenses	(7,273)	20,482
Pledges Receivable	904,224	745,465
Other Receivables	5,786	6,264
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(2,122)	15,026
Accrued Payroll and Related Liabilities	(23,317)	20,922
Deferred Revenue	4,059	2,028
Other Liabilities	(2,238)	393
Change in Contribution Receivable from Lead Trust	(202,562)	(206,311)
Net Cash Provided (Used) by Operating Activities	199,778	(413,042)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(58,715)	(131,530)
Net Cash Used by Investing Activities	(58,715)	(131,530)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions from Lead Trust	300,000	300,000
Principal Payments on Capital Lease Obligations	(1,700)	(1,491)
Payments on Notes Payable	(19,145)	(16,907)
Net Cash Provided by Financing Activities	279,155	281,602
NET CHANGE IN CASH AND CASH EQUIVALENTS - OPERATING	420,218	(262,970)
Cash and Cash Equivalents - Operating - Beginning of Year	384,621	647,591
CASH AND CASH EQUIVALENTS - OPERATING - END OF YEAR	\$ 804,839	\$ 384,621
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Purchases of Property and Equipment in Accounts Payable	\$ 22,290	\$ -

See accompanying Notes to Financial Statements.

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Bakken (formerly The Bakken Library of Electricity in Life) (the Organization) is a tax-exempt, charitable organization. The mission of The Bakken is to inspire a passion for science and its potential for social good by helping people explore the history and nature of electricity and magnetism.

Financial Statement Presentation

The Bakken's financial statements are presented in accordance with the Statement of Financial Accounting Standards relating to *Accounting for Contributions Received and Contributions Made*, and *Financial Statements of Not-for-Profit Organizations*. Under the provisions of these standards, net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of The Bakken and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the board of directors has discretionary control. Board designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of The Bakken or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by The Bakken.

The Organization elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

At December 31, 2017 and 2016, The Bakken had only unrestricted and temporarily restricted net assets.

Cash and Cash Equivalents - Operating

Cash and cash equivalents include checking, savings, and money market funds. The Bakken places its temporary cash investments with one financial institution. At times such balances are in excess of FDIC insurance limits.

Inventories

Inventories are valued at the cost of items purchased.

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges

Pledges receivable are stated at net realizable value. An allowance for doubtful accounts has been recorded in the amount of \$3,030 and \$4,270 as of December 31, 2017 and 2016, respectively. Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. This value is determined to be fair value and is calculated using an income approach of applying a discount rate technique in the year in which the pledge is received. Conditional pledges are not included as support until such times as the conditions are substantially met.

Contributions Receivable from Lead Trust

The Organization is the beneficiary of a charitable lead trust. The charitable lead trust provides for semiannual \$150,000 distributions for the longer of 20 years (beginning April 1997) or the life of the grantor and his wife. At the end of the trust's term, the remaining assets will be distributed to the grantor's beneficiaries. The portion of the trust attributed to the future interest of the Organization was recorded in the statement of activity as temporarily restricted contributions in the period the trust was established. The contribution receivable by the Organization under the trust is recorded at the present value of the estimated future payments and is calculated using a discount rate of 8% and applicable mortality tables.

Library and Museum Collections

The Library and Museum collections are comprised of various physical instruments, objects, and rare books. Collection items are stated at cost, if purchased, or at fair market value at date of receipt, if donated and if such items have a significant future benefit or economic value. Collection items are not depreciated.

Exhibits

Exhibit costs are expensed when incurred.

Property and Equipment

Land, building, fixtures, and equipment exceeding a capitalization threshold of \$1,000 are stated at cost if purchased or at fair market value at date of receipt if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 25 years. Expenditures for maintenance and repairs are expensed as incurred.

Contributed Services

A substantial number of volunteers have donated over 3,682 and 7,374 hours of their time during 2017 and 2016, respectively, to The Bakken's program services. The value of this donated time has not been recognized in the statements of activity since it does not meet the standards of recognition under accounting principles generally accepted in the United States of America.

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Expenses

Advertising costs are expensed when incurred. Advertising costs were \$63,317 and \$24,752 for the years ended December 31, 2017 and 2016, respectively.

Functional Allocation of Expenses

Expenses are specifically allocated to the various programs and supporting services whenever practical and, when this is impractical, allocations are made on the basis of time and expense reports or the best estimates of management.

Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Tax Exempt Status

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 209.3. Charitable contributions by donors are tax deductible. The Organization follows guidance in the income tax standard regarding the recognition of uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization is not aware of any uncertain tax positions taken. The Organization's tax returns are subject to review and examination by federal and state authorities.

Fair Value Measurements

The Organization follows *Fair Value Measurements* standards that establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. The Organization accounts for its contribution receivable from lead trust at fair value. In accordance with the Fair Value Measurement standard, the Organization has categorized its contribution receivable from lead trust based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 – Inputs: quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs: financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

**THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Inputs: unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing asset or liability (including risk assumptions) developed based on the best information available in the circumstances.

No assets or liabilities were measured at fair value at December 31, 2017 or 2016.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 30, 2018, the date the financials were available to be issued.

NOTE 2 CONTRIBUTION RECEIVABLE FROM LEAD TRUST – RELATED PARTY

The Organization’s contribution receivable from lead trust is categorized as follows:

<u>Year Ending December 31,</u>	<u>2017</u>	<u>2016</u>
2017	\$ -	\$ 300,000
2018	300,000	300,000
2019	300,000	300,000
2020	300,000	300,000
2021	300,000	300,000
2022	300,000	150,000
Total Contributions Receivable	1,500,000	1,650,000
Less: Present Value Discount - 8%	(283,366)	(335,928)
Less: Current Portion of Contribution Receivable	(300,000)	(300,000)
Long-Term Portion of Contribution Receivable	<u>\$ 916,634</u>	<u>\$ 1,014,072</u>

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable mainly consist of contributions from a limited number of foundations and contributions from fundraising events. Future receipts for the years ending December 31 are as follows:

<u>Year Ending December 31,</u>	<u>2017</u>	<u>2016</u>
2017	\$ -	\$ 688,109
2018	129,837	516,876
2019	94,200	4,000
2020	42,866	-
2021	24,700	-
2022	1,200	-
Thereafter	<u>3,000</u>	<u>-</u>
Total Pledges Receivable	295,803	1,208,985
Less: Allowance for Doubtful Accounts	(3,030)	(4,270)
Less: Present Value Discount	(11,632)	(19,350)
Less: Current Portion of Pledges Receivable	<u>(129,837)</u>	<u>(688,109)</u>
Long-Term Portion of Pledges Receivable	<u>\$ 151,304</u>	<u>\$ 497,256</u>

The imputed interest rate utilized for computing the discount for long-term pledges was 4.50% and 3.75% as of December 31, 2017 and 2016, respectively.

NOTE 4 PENSION PLAN

The Bakken currently offers a 403b Retirement Plan to all employees who work over 1,000 hours per year. Beginning in 2001, employer contributions to the plan comply with a match structure approved by the board, up to a maximum allowed match of 5%. Contributions to the plan totaled \$35,453 and \$34,735 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5 LINE OF CREDIT

On February 1, 2013, the Organization entered into a \$100,000 revolving line of credit agreement. Interest accrues at .75% over the prime rate on the line of credit. The line of credit expires on February 1, 2017. All assets of the Organization served as collateral on the line of credit. There was \$0- outstanding on the line of credit as of December 31, 2017 and 2016.

The Organization is required to file audited financial statements with the bank within 30 days of year-end to remain in compliance with the line of credit covenants.

Subsequent to year-end, the Organization renewed the \$100,000 revolving line of credit as of February 2, 2018. Interest accrues at .75% over the prime rate on the line of credit. The line of credit expires on February 1, 2019. All assets of the Organization served as collateral on the line of credit.

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6 NET ASSETS

Temporarily Restricted

Temporarily restricted net assets as of December 31 consist of the following:

	<u>2017</u>	<u>2016</u>
Contributions and Pledges - Time Restricted	\$ 1,752,150	\$ 2,386,830
Restricted Contribution - Education Programs	314,193	128,589
Total	<u>\$ 2,066,343</u>	<u>\$ 2,515,419</u>

Restrictions Released

Net assets released from restrictions were as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Contributions and Pledges - Time Restricted	\$ 868,242	\$ 949,062
Restricted Contribution - Education Programs	215,811	308,224
Restricted Contribution - Strategic Planning	-	86,507
Total	<u>\$ 1,084,053</u>	<u>\$ 1,343,793</u>

NOTE 7 CAPITAL LEASE OBLIGATIONS

The Bakken has a capital lease relating to a copier for the year ended December 31, 2017. The lease payments are recorded as interest expense and principal reduction. At December 31, 2017 and 2016, the total capitalized cost of equipment under the lease was \$9,130 and the accumulated depreciation was \$6,087 and \$4,261, respectively.

Capital lease obligations consist of the following at December 31:

	<u>2017</u>
Present Value of Minimum Lease Payments	\$ 5,155
Less: Current Portion	(1,937)
Noncurrent Portion	<u>\$ 3,218</u>

Future minimum lease commitments under the capital lease consist of the following:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 2,501
2019	2,501
2020	1,044
Total	<u>6,046</u>
Less: Amount Representing Interest	891
Present Value of Minimum Lease Payments	<u>\$ 5,155</u>

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 NOTES PAYABLE

The Organization signed a note payable for \$100,000 for the purchase of LED lighting. The note bears interest at 3.9% with a maturity on January 27, 2021. The LED lighting serves as the collateral on the note.

Scheduled maturities of the note payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 19,905
2019	20,695
2020	21,517
2021	1,831
Total	<u>\$ 63,948</u>

NOTE 9 RELATED PARTY TRANSACTIONS

One board member is an employee of a bank from which The Bakken does their primary banking.

NOTE 10 CONCENTRATIONS

Total contribution revenue for the years ended December 31, 2017 and 2016 consists of approximately 50% and 20% from four and two donors, respectively.

As of December 31, 2017 and 2016, 55% and 89% of the Organization's receivables were from two donors and one donor, respectively.

If these receivables are not received, or if a significant reduction in the level of this support were to occur, it might have a significant effect on the Bakken's programs and activities.