

THE BAKKEN
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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**THE BAKKEN
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YEARS ENDED DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019, and the related statements of activities, 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, 2020 and 2019, 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 13, 2021

**THE BAKKEN
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 273,413	\$ 5,061,591
Inventory	13,256	14,819
Prepaid Expenses	12,404	129,369
Pledges Receivable - Current Portion	110,900	24,366
Contribution Receivable from Lead Trust - Current Portion	300,000	300,000
Other Receivables	37	18,920
Total Current Assets	710,010	5,549,065
LONG-TERM PORTION OF CONTRIBUTION RECEIVABLE FROM LEAD TRUST	815,300	709,912
LIBRARY AND MUSEUM COLLECTIONS	2,968,523	2,948,523
LONG-TERM PORTION OF PLEDGES RECEIVABLE	1,038	101,512
INVESTMENTS	8,587,095	7,515,726
PROPERTY AND EQUIPMENT		
Land and Building	11,273,273	6,663,328
Fixtures and Equipment	425,010	410,273
Construction in Progress	-	468,344
Total	11,698,283	7,541,945
Less: Accumulated Depreciation	(5,886,672)	(5,543,680)
Total Property and Equipment	5,811,611	1,998,265
Total Assets	\$ 18,893,577	\$ 18,823,003

See accompanying Notes to Financial Statements.

**THE BAKKEN
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

LIABILITIES AND NET ASSETS	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Capital Lease Obligations, Current	\$ 1,769	\$ 1,642
Accounts Payable	238,486	30,489
Accrued Payroll and Related Liabilities	124,803	122,363
Deferred Revenue	13,987	14,476
Notes Payable, Current	244,807	21,663
Borrowings Under the Line of Credit	230,000	-
Other Liabilities	1,153	5,310
Total Current Liabilities	<u>855,005</u>	<u>195,943</u>
LONG-TERM LIABILITIES		
Capital Lease Obligations, Long-Term	5,419	7,187
Notes Payable, Long-Term	70,396	1,831
Total Long-Term Liabilities	<u>75,815</u>	<u>9,018</u>
Total Liabilities	930,820	204,961
NET ASSETS		
Without Donor Restrictions:		
Undesignated	7,983,565	9,075,893
Board-Designated Endowment	8,587,095	7,505,554
Board-Designated	90,000	90,000
Total Unrestricted	<u>16,660,660</u>	<u>16,671,447</u>
With Donor Restrictions	1,302,097	1,946,595
Total Net Assets	<u>17,962,757</u>	<u>18,618,042</u>
Total Liabilities and Net Assets	<u>\$ 18,893,577</u>	<u>\$ 18,823,003</u>

See accompanying Notes to Financial Statements.

**THE BAKKEN
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND OTHER REVENUE						
Support:						
Contributions	\$ 359,628	\$ 623,558	\$ 983,186	\$ 12,053,310	\$ 1,254,003	\$ 13,307,313
Other Revenue:						
Facility Use Fees	12,365	-	12,365	152,870	-	152,870
Program Service Fees, Net of Scholarships of \$8,236 and \$69,071, Respectively	164,583	-	164,583	594,135	-	594,135
Change in Split-Interest Agreement	-	405,388	405,388	-	302,799	302,799
Loss on Disposal of Property and Equipment	(41,583)	-	(41,583)	-	-	-
Investment Income, Net of Investment Fees of \$32,908 and -\$0-, Respectively	1,322,360	-	1,322,360	28,696	-	28,696
Miscellaneous	22,942	-	22,942	37,396	-	37,396
Total Other Revenue	<u>1,480,667</u>	<u>405,388</u>	<u>1,886,055</u>	<u>813,097</u>	<u>302,799</u>	<u>1,115,896</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,673,444</u>	<u>(1,673,444)</u>	<u>-</u>	<u>1,835,087</u>	<u>(1,835,087)</u>	<u>-</u>
Total Support and Other Revenue	3,513,739	(644,498)	2,869,241	14,701,494	(278,285)	14,423,209
EXPENSES						
Program Services	2,855,211	-	2,855,211	2,222,459	-	2,222,459
Management and General	371,067	-	371,067	336,213	-	336,213
Fundraising	298,248	-	298,248	415,952	-	415,952
Total Expenses	<u>3,524,526</u>	<u>-</u>	<u>3,524,526</u>	<u>2,974,624</u>	<u>-</u>	<u>2,974,624</u>
CHANGE IN NET ASSETS	(10,787)	(644,498)	(655,285)	11,726,870	(278,285)	11,448,585
Net Assets - Beginning of Year	<u>16,671,447</u>	<u>1,946,595</u>	<u>18,618,042</u>	<u>4,944,577</u>	<u>2,224,880</u>	<u>7,169,457</u>
NET ASSETS - END OF YEAR	<u>\$ 16,660,660</u>	<u>\$ 1,302,097</u>	<u>\$ 17,962,757</u>	<u>\$ 16,671,447</u>	<u>\$ 1,946,595</u>	<u>\$ 18,618,042</u>

See accompanying Notes to Financial Statements.

**THE BAKKEN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	2020						
	Program			Total Program	Management and General		
	Exhibits and Collections	Education	Public		Administrative	Fundraising	Total
Salaries	\$ 203,922	\$ 682,611	\$ 190,240	\$ 1,076,773	\$ 207,383	\$ 181,561	\$ 1,465,717
Benefits	21,413	77,353	18,102	116,868	14,899	16,006	147,773
Payroll Taxes	15,132	49,609	13,974	78,715	15,454	13,463	107,632
Total Personnel Costs	<u>240,467</u>	<u>809,573</u>	<u>222,316</u>	<u>1,272,356</u>	<u>237,736</u>	<u>211,030</u>	<u>1,721,122</u>
Consultants	905,534	13,594	4,687	923,815	29,705	1,776	955,296
Advertising and Promotion	10,537	42,753	11,604	64,894	-	25	64,919
Program and Office Supplies	10,283	18,912	14,078	43,273	2,967	3,125	49,365
Information Technology	2,047	1,796	12,515	16,358	740	12,654	29,752
Equipment and Repairs	1,073	5,973	2,869	9,915	672	553	11,140
Occupancy	22,043	89,076	24,276	135,395	18,969	15,579	169,943
Travel	2,280	2,302	54	4,636	1,974	183	6,793
Conferences, Conventions, and Meetings	115	117	12	244	1,371	1,393	3,008
Dues and Subscriptions	2,396	4,502	1,919	8,817	7,311	3,627	19,755
Staff Development and Recruitment	94	584	787	1,465	2,722	720	4,907
Depreciation	52,990	217,848	62,604	333,442	45,037	42,498	420,977
Insurance	5,278	21,329	5,813	32,420	4,518	3,717	40,655
Interest Expense	251	1,014	276	1,541	215	177	1,933
Bad Debt Expense	-	-	-	-	5,085	-	5,085
Taxes and Fees	11	4,785	1,844	6,640	12,045	1,191	19,876
Total Expense	<u>\$ 1,255,399</u>	<u>\$ 1,234,158</u>	<u>\$ 365,654</u>	<u>\$ 2,855,211</u>	<u>\$ 371,067</u>	<u>\$ 298,248</u>	<u>\$ 3,524,526</u>

See accompanying Notes to Financial Statements.

THE BAKKEN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	2019						
	Program			Total Program	Management and General		
	Exhibits and Collections	Education	Public		Administrative	Fundraising	Total
Salaries	\$ 263,270	\$ 640,847	\$ 214,352	\$ 1,118,469	\$ 199,740	\$ 225,438	\$ 1,543,647
Benefits	23,497	61,425	18,469	103,391	12,068	17,096	132,555
Payroll Taxes	19,017	45,246	15,068	79,331	14,152	15,755	109,238
Total Personnel Costs	<u>305,784</u>	<u>747,518</u>	<u>247,889</u>	<u>1,301,191</u>	<u>225,960</u>	<u>258,289</u>	<u>1,785,440</u>
Consultants	219,249	31,658	11,345	262,252	21,841	39,469	323,562
Advertising and Promotion	11,926	35,722	12,304	59,952	224	4,348	64,524
Program and Office Supplies	9,462	63,497	35,263	108,222	10,481	39,445	158,148
Information Technology	3,616	8,866	14,163	26,645	3,308	15,400	45,353
Equipment and Repairs	2,572	5,889	2,427	10,888	1,073	1,529	13,490
Occupancy	23,693	70,749	23,702	118,144	14,811	13,977	146,932
Travel	540	7,745	2,791	11,076	4,821	2,290	18,187
Conferences, Conventions, and Meetings	768	1,700	776	3,244	3,679	1,982	8,905
Staff Development and Recruitment	426	4,453	3,677	8,556	3,024	2,125	13,705
Depreciation	51,487	153,890	51,877	257,254	31,930	30,778	319,962
Insurance	7,614	22,736	7,617	37,967	4,722	4,492	47,181
Interest Expense	-	-	-	-	1,851	-	1,851
Bad Debt Expense	-	-	-	-	923	-	923
Taxes and Fees	111	8,926	8,031	17,068	7,565	1,828	26,461
Total Expense	<u>\$ 637,248</u>	<u>\$ 1,163,349</u>	<u>\$ 421,862</u>	<u>\$ 2,222,459</u>	<u>\$ 336,213</u>	<u>\$ 415,952</u>	<u>\$ 2,974,624</u>

See accompanying Notes to Financial Statements.

**THE BAKKEN
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (655,285)	\$ 11,448,585
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Realized Gain on Investments	(49,914)	-
Unrealized Gain on Investments	(1,189,559)	-
Depreciation	420,977	319,962
Loss on Disposal of Property and Equipment	41,583	-
Contributed Collection Items	(20,000)	-
(Increase) Decrease in Current Assets:		
Inventory	1,563	1,879
Prepaid Expenses	116,965	(115,031)
Pledges Receivable	13,940	(75,961)
Other Receivables	18,883	16,564
Increase (Decrease) in Current Liabilities:		
Accounts Payable	6,261	(8,964)
Accrued Payroll and Related Liabilities	2,440	91,700
Deferred Revenue	(489)	(19,131)
Other Liabilities	(4,157)	5,037
Change in Contribution Receivable from Lead Trust	(405,388)	(302,799)
Net Cash Provided (Used) by Operating Activities	(1,702,180)	11,361,841
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(4,074,170)	(578,343)
Purchases of Investments	(1,205,000)	(7,515,726)
Proceeds from Sale of Investments	1,373,104	-
Net Cash Used by Investing Activities	(3,906,066)	(8,094,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions from Lead Trust	300,000	300,000
Principal Payments on Capital Lease Obligations	(1,641)	(3,738)
Payments on Notes Payable	(21,663)	(20,670)
Payments on Line of Credit	(270,000)	-
Proceeds from Notes Payable	313,372	-
Proceeds from Line of Credit	500,000	-
Net Cash Provided by Financing Activities	820,068	275,592
CHANGE IN CASH AND CASH EQUIVALENTS	(4,788,178)	3,543,364
Cash and Cash Equivalents - Beginning of Year	5,061,591	1,518,227
CASH AND CASH EQUIVALENTS - OPERATING - END OF YEAR	\$ 273,413	\$ 5,061,591
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Purchases of Property and Equipment included in Accounts Payable	\$ 201,736	\$ -
Donated Collections	\$ 20,000	\$ -
Capital Lease Executed for Copier	\$ -	\$ 9,350

See accompanying Notes to Financial Statements.

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Bakken (the Organization) is a tax-exempt, charitable organization operating as a museum in Minneapolis, Minnesota. The Bakken Museum inspires a passion for innovation by exploring the potential for science, technology, and the humanities to make the world a better place. Building a community at the intersection of science, technology, health, and wellness, The Bakken aims to leverage the past to inspire the next generation of innovators to transform the future.

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:

Net Assets Without Donor Restrictions – Net assets without donor restrictions represent 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. The board has designated amounts for a reserve fund that is intended to be used for capital improvements, major projects, emergency repairs, special purposes, and other such purposes as the board shall determine. In addition, the board has designated an endowment for general expenditures.

Net Assets With Donor Restrictions – Net assets with donor restrictions represent resources whose use has been limited by donors to a specific purpose or time period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and release from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization had no perpetually restricted net assets at December 31, 2020 and 2019.

Cash and Cash Equivalents

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 Federal Deposit Insurance Corporation (FDIC) insurance limits.

Inventories

Inventories are valued at the lower of cost or net realizable value.

**THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 as of December 31, 2020 and 2019. 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. There are no conditional pledges as of December 31, 2020 and 2019.

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. In 2018, the grantor passed away. 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 activities as with donor-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 for his wife.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or law. Donations received in the form of stocks, bonds, or other equities, will be recorded at the cash value equivalent at the time of donation. Sale of donated investments will be executed within a reasonable period after receipt.

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. The Organization does not have a practice of selling assets from the collection.

Exhibits

Exhibit costs are expensed when incurred.

Property and Equipment

Land, building, fixtures, and equipment exceeding a capitalization threshold of \$5,000 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.

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

During 2020 and 2019, respectively, 22 and 277 volunteers donated a substantial amount of their time to The Bakken's program services. The value of this donated time has not been recognized in the statements of activities since it does not meet the standards of recognition under accounting principles generally accepted in the United States of America (U.S. GAAP).

Advertising Expenses

Advertising costs are expensed when incurred. Advertising costs were \$64,919 and \$64,524 for the years ended December 31, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of providing various program and supporting service activities have been summarized on a functional basis. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated generally on the amount of time spent by employees on each function. Accordingly, certain costs have been allocated across the program and supporting services that have benefited.

Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. 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.

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

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.

Contributions Revenue

Contributions received are recorded as support without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions. Conditional contributions and grants received but not yet earned are recorded as deferred revenue on the balance sheet.

Facility Use Fees

Facility use fees are recorded as deferred revenue upon receipt until the rental event has taken place, at which point the revenue is recognized.

Program Service Fees

Program service fees are made up of museum admission revenue, field trip revenue, camp event fees, and outreach revenue. Admission revenue is recognized as revenue upon the purchases of the ticket. Field trip, camp event and outreach revenue is recorded as deferred revenue upon receipt and recognized as revenue after the event has taken place.

Adoption of Accounting Principle

In March 2019, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-03, *Updating the Definition of Collections*. The update modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned. The Organization adopted ASU 2019-03 beginning in fiscal year 2020.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 13, 2021, the date the financials were available to be issued.

NOTE 2 LIQUIDITY

The Bakken's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of education programs, exhibit development and maintenance, collections and public programs as well as the conduct of services undertaken to support those activities to be general expenditures. To help manage unanticipated liquidity needs, the Organization has an available line of credit in the amount of \$500,000 which it could draw upon, which is described in Note 8 of the financial statements. The Bakken also had a board-designated endowment for general expenditures, which is described in Note 10 of the financial statements.

As of December 31, 2020 and 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 273,413	\$ 5,061,591
Accounts Receivable	37	18,920
Pledges Receivable	111,938	125,878
Lead Trust Receivable	1,115,300	1,009,912
Total Financial Assets	<u>1,500,688</u>	<u>6,216,301</u>
Less: Lead Trust Receivable with Liquidity Horizon Greater than One Year	(815,300)	(709,912)
Less: Pledges Receivable with Liquidity Horizon Greater than One Year	(1,038)	(101,512)
Donor Restricted Net Assets	<u>(81,059)</u>	<u>(734,970)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 603,291</u>	<u>\$ 4,669,907</u>

**THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 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>2020</u>	<u>2019</u>
2020	\$ -	\$ 300,000
2021	300,000	300,000
2022	300,000	300,000
2023	300,000	300,000
2024	300,000	-
Total Contributions Receivable	1,200,000	1,200,000
Less: Present Value Discount - 8%	(84,700)	(190,088)
Less: Current Portion of Contribution Receivable	(300,000)	(300,000)
Long-Term Portion of Contribution Receivable	<u>\$ 815,300</u>	<u>\$ 709,912</u>

NOTE 4 PLEDGES RECEIVABLE

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

<u>Year Ending December 31,</u>	<u>2020</u>	<u>2019</u>
2020	\$ -	\$ 24,366
2021	110,900	110,700
2022	4,200	4,200
Total Pledges Receivable	115,100	139,266
Less: Allowance for Doubtful Accounts	(3,030)	(3,030)
Less: Present Value Discount	(132)	(10,358)
Less: Current Portion of Pledges Receivable	(110,900)	(24,366)
Long-Term Portion of Pledges Receivable	<u>\$ 1,038</u>	<u>\$ 101,512</u>

The imputed interest rate utilized for computing the discount for long-term pledges was 3.25% and 4.75% as of December 31, 2020 and 2019, respectively.

NOTE 5 INVESTMENTS

Investments consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Equities	\$ 5,130,202	\$ -
Fixed Income	2,737,187	-
Real Assets	320,699	-
Money Markets	399,007	7,515,726
	<u>\$ 8,587,095</u>	<u>\$ 7,515,726</u>

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NOTE 5 INVESTMENTS (CONTINUED)

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets.

NOTE 6 FAIR VALUE MEASUREMENTS

The Bakken uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Bakken values all other assets and liabilities, refer to Note 1 – Summary of Significant Accounting Policies.

The following tables present the fair value hierarchy for the balance of the assets the Bakken measured at fair value on a recurring basis as of December 31:

	2020			Total
	Level 1	Level 2	Level 3	
Equities	\$ 5,130,202	\$ -	\$ -	\$ 5,130,202
Fixed Income	248,815	2,488,372	-	2,737,187
Real Assets	320,699	-	-	320,699
Total	<u>\$ 5,699,716</u>	<u>\$ 2,488,372</u>	<u>\$ -</u>	8,188,088
Money Markets				399,007
Total Investments				<u>\$ 8,587,095</u>

As of December 31, 2019, all investments were held in money markets and therefore not valued at fair value.

NOTE 7 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 \$42,948 and \$40,396 for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 LINE OF CREDIT

On January 29, 2020, the Organization entered into a \$500,000 revolving line of credit agreement. Interest accrues at .75% over the prime rate on the line of credit. The line of credit expires on January 29, 2021. All assets of the Organization served as collateral on the line of credit. There was \$230,000 and \$0- outstanding on the line of credit as of December 31, 2020 and 2019.

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NOTE 8 LINE OF CREDIT (CONTINUED)

Subsequent to year-end, the Organization renewed their revolving line of credit and increased the limit to \$1,000,000 as of February 16, 2021. The line of credit expires on February 16, 2022. The board-designated endowment assets serve as the collateral on the line of credit.

NOTE 9 NET ASSETS

With Donor-Restricted Net Assets

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

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Educational Programs	\$ 57,991	\$ 39,008
Sustainability Plan	<u>23,068</u>	<u>695,962</u>
Total	81,059	734,970
Subject to the Passage of Time:		
Contribution Receivable from Lead Trust	1,115,300	1,009,912
Promises to Give that are Not Restricted by Donors, but Which are Restricted for Timing	<u>105,738</u>	<u>201,713</u>
Total	<u>1,221,038</u>	<u>1,211,625</u>
 Total Net Assets with Donor Restrictions	 <u>\$ 1,302,097</u>	 <u>\$ 1,946,595</u>

Restrictions Released

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

	<u>2020</u>	<u>2019</u>
Net Asset Releases:		
Educational Programs	\$ 94,350	\$ 192,994
Sustainability Plan	1,172,894	1,221,221
Time	106,200	120,872
Change in Contribution Receivable from Lead Trust	<u>300,000</u>	<u>300,000</u>
Total Net Assets Released	<u>\$ 1,673,444</u>	<u>\$ 1,835,087</u>

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NOTE 10 ENDOWMENT

The endowment is designated by the board of directors for general operations.

The board of directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the board-restricted endowment funds. As of December 31, 2020 and 2019 there are no donor-restricted endowments. We consider the following factors in making a determination to appropriate or accumulate board-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Changes in endowment net assets for the years ended December 31 are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Balance - January 1, 2020	\$ 7,505,554	\$ -	\$ 7,505,554
Contributions	-	-	-
Investment Return	1,306,541	-	1,306,541
Appropriations	(225,000)	-	(225,000)
Endowment Balance - December 31, 2020	<u>\$ 8,587,095</u>	<u>\$ -</u>	<u>\$ 8,587,095</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Balance - January 1, 2019	\$ -	\$ -	\$ -
Contributions	7,500,000	-	7,500,000
Investment Return	5,554	-	5,554
Appropriations	-	-	-
Endowment Balance - December 31, 2019	<u>\$ 7,505,554</u>	<u>\$ -</u>	<u>\$ 7,505,554</u>

Investment and Spending Policies

The Organization has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The target minimum rate of return is the 5% after inflation on an annual basis. Actual returns in any given year may vary from this amount.

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NOTE 10 ENDOWMENT (CONTINUED)

Investment and Spending Policies (Continued)

To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Bakken uses an endowment spending-rate formula to determine the maximum amount to spend from the endowment. The rate, determined and adjusted from time to time by the board of directors, is applied to the average fair value of the endowment investments for the prior 12 quarters at December 31 of each year to determine the spending amount for the upcoming year. During 2020, the spending rate maximum was 4%, however, as 2020 was the first year the endowment was invested, the board approved an appropriation of \$225,000. In establishing this policy, the Bakken considered the long-term expected return on the endowment and set the rate with the objective of maintaining the purchasing power of the endowment over time.

NOTE 11 CAPITAL LEASE OBLIGATIONS

During 2019, The Bakken entered a new copier lease under a 60-month lease commencing on September 24, 2019 and expiring on August 24, 2024. The lease replaced a previous lease and provides for payments of \$187 per month. At December 31, 2020 and 2019, the total capitalized costs of the equipment under the lease is \$9,350 and the accumulated depreciation was \$2,415 and \$521.

Capital lease obligations consist of the following at December 31, 2020:

Present Value of Minimum Lease Payments	\$ 7,188
Less: Current Portion	<u>(1,769)</u>
Noncurrent Portion	<u><u>\$ 5,419</u></u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 2,249
2022	2,249
2023	2,249
2024	<u>1,499</u>
Total	8,246
Less: Amount Representing Interest	<u>(1,058)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 7,188</u></u>

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NOTE 12 NOTES PAYABLE

In 2015, 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.

In 2020, the Organization received a loan in the amount of \$313,373 to fund payroll, rent and utilities through the federal Paycheck Protection Program (PPP). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the entity fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts maybe forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP loan at a rate of 1.0% per annum, and commencing in November 2020 principal interest payments will be required through the maturity date in April 2022.

Scheduled maturities of the note payables are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 244,807
2022	70,396
Total	<u>\$ 315,203</u>

NOTE 13 RELATED PARTY TRANSACTIONS

Three board members are employees of two financial institutions from which The Bakken does their primary banking and investing. During 2020 and 2019, the Organization received contributions from board members and employees totaling \$139,470, and \$114,176, respectively.

NOTE 14 CONCENTRATIONS

Total contribution revenue for the years ended December 31, 2020 and 2019 consists of approximately 45% and 89% from one donor, respectively.

As of December 31, 2020 and 2019, 87% and 91% of the Organization's receivables were from one donor and two donors, 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.

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NOTE 15 SUBSEQUENT EVENTS

On January 19, 2021, the SBA processed the Organization's PPP Loan forgiveness application and the Organization was notified that the PPP Loan qualified for full forgiveness.

The SBA may review funding eligibility and use of fund for compliance with program requirements based on dollar thresholds and other factors. The amount of any liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

On January 29, 2021, the Organization applied for and received an additional Second Draw Paycheck Protection Program loan for \$328,473. The loan matures on January 29, 2026 and has a fixed interest rate of 1%. The loan shall be used for payroll and facility costs and may be forgiven if certain criteria are met.

NOTE 16 RISKS AND UNCERTAINTIES

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. As a result, COVID-19 may impact various parts of the Organization's 2021 operations and financial results. Management believes that the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

