

THE BAKKEN
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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**THE BAKKEN
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YEARS ENDED DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Bakken
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Bakken, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bakken as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 The Bakken and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 The Bakken's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Bakken'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 The Bakken'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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
July 21, 2022

**THE BAKKEN
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 313,391	\$ 273,413
Inventory	9,926	13,256
Prepaid Expenses	21,307	12,404
Pledges Receivable - Current Portion	22,612	110,900
Contribution Receivable from Lead Trust - Current Portion	300,000	300,000
Other Assets	12,000	-
Other Receivables	142,017	37
Total Current Assets	<u>821,253</u>	<u>710,010</u>
LONG-TERM PORTION OF CONTRIBUTION RECEIVABLE FROM LEAD TRUST	709,912	815,300
LIBRARY AND MUSEUM COLLECTIONS	2,968,523	2,968,523
LONG-TERM PORTION OF PLEDGES RECEIVABLE	-	1,038
INVESTMENTS	9,137,939	8,587,095
PROPERTY AND EQUIPMENT		
Land and Building	11,299,070	11,273,273
Fixtures and Equipment	423,581	425,010
Total	<u>11,722,651</u>	<u>11,698,283</u>
Less: Accumulated Depreciation	<u>(6,408,199)</u>	<u>(5,886,672)</u>
Total Property and Equipment	<u>5,314,452</u>	<u>5,811,611</u>
Total Assets	<u><u>\$ 18,952,079</u></u>	<u><u>\$ 18,893,577</u></u>

See accompanying Notes to Financial Statements.

**THE BAKKEN
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2021 AND 2020**

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Capital Lease Obligations, Current	\$ 1,907	\$ 1,769
Accounts Payable	40,554	238,486
Accrued Payroll and Related Liabilities	142,341	124,803
Deferred Revenue	65,778	13,987
Notes Payable, Current	-	244,807
Borrowings Under the Line of Credit	130,000	230,000
Other Liabilities	409	1,153
Total Current Liabilities	380,989	855,005
LONG-TERM LIABILITIES		
Capital Lease Obligations, Long-Term	3,512	5,419
Notes Payable, Long-Term	-	70,396
Total Long-Term Liabilities	3,512	75,815
Total Liabilities	384,501	930,820
NET ASSETS		
Without Donor Restrictions:		
Undesignated	8,228,395	7,983,565
Board-Designated Endowment	9,137,939	8,587,095
Board-Designated	90,000	90,000
Total Unrestricted	17,456,334	16,660,660
With Donor Restrictions	1,111,244	1,302,097
Total Net Assets	18,567,578	17,962,757
Total Liabilities and Net Assets	\$ 18,952,079	\$ 18,893,577

See accompanying Notes to Financial Statements.

**THE BAKKEN
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND OTHER REVENUE						
Support:						
Contributions	\$ 318,425	\$ 237,041	\$ 555,466	\$ 359,628	\$ 623,558	\$ 983,186
Other Revenue:						
Facility Use Fees	90,389	-	90,389	12,365	-	12,365
Program Service Fees, Net of Scholarships of \$31,256 and \$8,236, Respectively	374,517	-	374,517	164,583	-	164,583
Change in Contribution Receivable from Lead Trust	-	194,612	194,612	-	405,388	405,388
Gain (Loss) on Disposal of Property and Equipment	560	-	560	(41,583)	-	(41,583)
Investment Income, Net of Investment Fees of \$56,287 and \$32,908, Respectively	850,845	-	850,845	1,322,360	-	1,322,360
COVID Relief Funds	1,175,584	-	1,175,584	-	-	-
Miscellaneous	38,504	-	38,504	22,942	-	22,942
Total Other Revenue	<u>2,530,399</u>	<u>194,612</u>	<u>2,725,011</u>	<u>1,480,667</u>	<u>405,388</u>	<u>1,886,055</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>622,506</u>	<u>(622,506)</u>	<u>-</u>	<u>1,673,444</u>	<u>(1,673,444)</u>	<u>-</u>
Total Support and Other Revenue	3,471,330	(190,853)	3,280,477	3,513,739	(644,498)	2,869,241
EXPENSES						
Program Services	1,850,576	-	1,850,576	2,855,211	-	2,855,211
Management and General	398,424	-	398,424	371,067	-	371,067
Fundraising	426,656	-	426,656	298,248	-	298,248
Total Expenses	<u>2,675,656</u>	<u>-</u>	<u>2,675,656</u>	<u>3,524,526</u>	<u>-</u>	<u>3,524,526</u>
CHANGE IN NET ASSETS	795,674	(190,853)	604,821	(10,787)	(644,498)	(655,285)
Net Assets - Beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 17,456,334</u>	<u>\$ 1,111,244</u>	<u>\$ 18,567,578</u>	<u>\$ 16,660,660</u>	<u>\$ 1,302,097</u>	<u>\$ 17,962,757</u>

See accompanying Notes to Financial Statements.

**THE BAKKEN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	2021						
	Program Services			Total Program Services	Management and General	Fundraising	Total
	Exhibits and Collections	Education	Public				
Salaries	\$ 155,726	\$ 636,404	\$ 152,154	\$ 944,284	\$ 222,396	\$ 211,142	\$ 1,377,822
Benefits	15,550	72,498	13,544	101,592	17,719	19,102	138,413
Payroll Taxes	11,859	46,636	11,050	69,545	16,509	15,910	101,964
Total Personnel Costs	<u>183,135</u>	<u>755,538</u>	<u>176,748</u>	<u>1,115,421</u>	<u>256,624</u>	<u>246,154</u>	<u>1,618,199</u>
Consultants	12,239	20,281	7,325	39,845	29,760	67,359	136,964
Advertising and Promotion	4,208	19,360	4,814	28,382	160	8	28,550
Program and Office Supplies	4,549	30,248	22,182	56,979	3,121	2,744	62,844
Special Event Expense	-	-	17,836	17,836	-	1,334	19,170
Information Technology	1,620	82	12,259	13,961	710	11,859	26,530
Equipment and Repairs	2,078	9,435	2,227	13,740	2,044	2,120	17,904
Occupancy	16,849	73,475	17,340	107,664	25,093	17,550	150,307
Travel	32	1,148	-	1,180	1,841	-	3,021
Conferences, Conventions, and Meetings	51	232	103	386	727	1,796	2,909
Dues and Subscriptions	2,182	3,313	1,889	7,384	3,855	28	11,267
Staff Development and Recruitment	392	1,510	1,236	3,138	3,399	418	6,955
Depreciation	58,744	268,665	66,722	394,131	60,568	68,258	522,957
Insurance	4,169	18,927	4,467	27,563	4,359	4,521	36,443
Interest Expense	981	4,453	1,051	6,485	1,025	1,064	8,574
Bad Debt Expense	-	-	-	-	-	-	-
Taxes and Fees	9	5,107	11,365	16,481	5,138	1,443	23,062
Total Expenses	<u>\$ 291,238</u>	<u>\$ 1,211,774</u>	<u>\$ 347,564</u>	<u>\$ 1,850,576</u>	<u>\$ 398,424</u>	<u>\$ 426,656</u>	<u>\$ 2,675,656</u>

See accompanying Notes to Financial Statements.

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

	2020						
	Program Services			Total Program Services	Management and General	Fundraising	Total
	Exhibits and Collections	Education	Public				
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 Expenses	<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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 604,821	\$ (655,285)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Realized Gain on Investments	(1,001,408)	(49,914)
Unrealized (Gain) Loss on Investments	242,035	(1,189,559)
Forgiveness of Paycheck Protection Program Loans	(641,846)	-
Depreciation	522,957	420,977
(Gain) Loss on Disposal of Property and Equipment	(560)	41,583
Contributed Collection Items	-	(20,000)
Change in Contribution Receivable from Lead Trust	(194,612)	(405,388)
(Increase) Decrease in Current Assets:		
Inventory	3,330	1,563
Prepaid Expenses	(8,903)	116,965
Pledges Receivable	89,326	13,940
Other Receivables	(141,980)	18,883
Other Assets	(12,000)	-
Increase (Decrease) in Current Liabilities:		
Accounts Payable	3,804	6,261
Accrued Payroll and Related Liabilities	17,538	2,440
Deferred Revenue	51,791	(489)
Other Liabilities	(744)	(4,157)
Net Cash Used by Operating Activities	(466,451)	(1,702,180)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(226,974)	(4,074,170)
Purchases of Investments	(6,889,842)	(9,444,062)
Proceeds from Sale of Investments	7,098,371	9,612,166
Net Cash Used by Investing Activities	(18,445)	(3,906,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions from Lead Trust	300,000	300,000
Principal Payments on Capital Lease Obligations	(1,769)	(1,641)
Payments on Notes Payable	(1,830)	(21,663)
Payments on Line of Credit	(450,000)	(270,000)
Proceeds from Notes Payable	328,473	313,372
Proceeds from Line of Credit	350,000	500,000
Net Cash Provided by Financing Activities	524,874	820,068
CHANGE IN CASH AND CASH EQUIVALENTS	39,978	(4,788,178)
Cash and Cash Equivalents - Beginning of Year	273,413	5,061,591
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 313,391	\$ 273,413
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Purchases of Property and Equipment Included in Accounts Payable	\$ -	\$ 201,736
Donated Collections	\$ -	\$ 20,000

See accompanying Notes to Financial Statements.

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020.

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, 2021 AND 2020

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, 2021 and 2020. 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, 2021 and 2020.

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 that 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, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

During 2021 and 2020, respectively, 38 and 22 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 \$28,550 and \$64,919 for the years ended December 31, 2021 and 2020, 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, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 1 – 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 – 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 – 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 relates to amounts received in exchange for the use of the property for various events. Facility use fees are recorded as deferred revenue upon receipt until the rental event has taken place, at which point the revenue is recognized using the point in time method. As of December 31, 2021 and 2020, there are no contract assets. As of December 31, 2021 and 2020, contract liabilities consist of deferred revenue in the amount of \$45,513 and \$-0-, respectively.

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 using the point in time method. Field trip, camp event and outreach revenue is recorded as deferred revenue upon receipt and recognized as revenue after the event has taken place using the point in time method. As of December 31, 2021 and 2020 contract assets consist of other receivables in the amount of \$12,100 and \$-0-, respectively. As of December 31, 2021 and 2020, contract liabilities consist of deferred revenue in the amount of \$20,265 and \$13,987, respectively.

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 21, 2022, 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 \$1 million 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, 2021 and 2020, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 313,391	\$ 273,413
Other Receivables	142,017	37
Other Assets	12,000	-
Pledges Receivable	22,612	111,938
Lead Trust Receivable	<u>1,009,912</u>	<u>1,115,300</u>
Total Financial Assets	1,499,932	1,500,688
Less: Lead Trust Receivable with Liquidity Horizon Greater than One Year	(709,912)	(815,300)
Less: Pledges Receivable with Liquidity Horizon Greater than One Year	-	(1,038)
Donor Restricted Net Assets	<u>(100,258)</u>	<u>(81,059)</u>
 Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 689,762</u>	 <u>\$ 603,291</u>

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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>2021</u>	<u>2020</u>
2021	\$ -	\$ 300,000
2022	300,000	300,000
2023	300,000	300,000
2024	300,000	300,000
2025	300,000	150,000
Total Contributions Receivable	1,200,000	1,350,000
Less: Present Value Discount - 8%	(190,088)	(234,700)
Less: Current Portion of Contribution Receivable	(300,000)	(300,000)
Long-Term Portion of Contribution Receivable	<u>\$ 709,912</u>	<u>\$ 815,300</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>2021</u>	<u>2020</u>
2021	\$ -	\$ 110,900
2022	25,642	4,200
Total Pledges Receivable	25,642	115,100
Less: Allowance for Doubtful Accounts	(3,030)	(3,030)
Less: Present Value Discount	-	(132)
Less: Current Portion of Pledges Receivable	(22,612)	(110,900)
Long-Term Portion of Pledges Receivable	<u>\$ -</u>	<u>\$ 1,038</u>

The imputed interest rate utilized for computing the discount for long-term pledges was 3.25% as of December 31, 2021 and 2020, respectively.

NOTE 5 INVESTMENTS

Investments consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Equities	\$ 5,175,045	\$ 5,130,202
Fixed Income	2,925,747	2,737,187
Real Assets	561,625	320,699
Money Markets	475,522	399,007
Total	<u>\$ 9,137,939</u>	<u>\$ 8,587,095</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:

	2021			
	Level 1	Level 2	Level 3	Total
Equities	\$ 5,175,045	\$ -	\$ -	\$ 5,175,045
Fixed Income	-	2,925,747	-	2,925,747
Real Assets	561,625	-	-	561,625
Total	\$ 5,736,670	\$ 2,925,747	\$ -	8,662,417
Money Markets				475,522
Total Investments				\$ 9,137,939

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

NOTE 7 PENSION PLAN

The Bakken currently offers a 403b Retirement Plan to all employees who work over 1,040 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 \$44,159 and \$42,948 for the years ended December 31, 2021 and 2020, respectively.

**THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 LINE OF CREDIT

On January 29, 2020, the Organization entered into a \$500,000 revolving line of credit agreement. Interest accrued at .75% over the prime rate on the line of credit. All assets of the Organization served as the collateral on the line of credit and expired on January 29, 2021. As of December 31, 2020, there was \$230,000 outstanding on the line of credit.

On February 16, 2021, the Organization entered into a \$1,000,000 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 16, 2022. The board-designated endowment assets serve as the collateral on the line of credit. As of December 31, 2021, there was \$130,000 outstanding on the line of credit. Subsequent to year-end, the line of credit was extended until February 16, 2023.

NOTE 9 NET ASSETS

With Donor-Restricted Net Assets

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

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose:		
Educational Programs	\$ 100,258	\$ 57,991
Sustainability Plan	-	23,068
Total	<u>100,258</u>	<u>81,059</u>
Subject to the Passage of Time:		
Contribution Receivable from Lead Trust	1,009,912	1,115,300
Promises to Give that are Not Restricted by Donors, but Which are Restricted for Timing	1,074	105,738
Total	<u>1,010,986</u>	<u>1,221,038</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,111,244</u>	<u>\$ 1,302,097</u>

Restrictions Released

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

	<u>2021</u>	<u>2020</u>
Net Asset Releases:		
Educational Programs	\$ 194,774	\$ 94,350
Sustainability Plan	23,068	1,172,894
Time	404,664	106,200
Change in Contribution Receivable from Lead Trust	-	300,000
Total Net Assets Released	<u>\$ 622,506</u>	<u>\$ 1,673,444</u>

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NOTES TO FINANCIAL STATEMENTS
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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, 2021 and 2020 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:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Balance - January 1, 2021	\$ 8,587,095	\$ -	\$ 8,587,095
Contributions	-	-	-
Investment Return	850,844	-	850,844
Appropriations	(300,000)	-	(300,000)
Endowment Balance - December 31, 2021	<u>\$ 9,137,939</u>	<u>\$ -</u>	<u>\$ 9,137,939</u>
	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>

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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NOTES TO FINANCIAL STATEMENTS
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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. The spending rate maximum for 2021 and 2020 was 4%, however, as 2020 was the first year the endowment was invested, the board approved an appropriation of \$300,000 and \$225,000 for the years ended December 31, 2021 and 2020, respectively. 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, 2021 and 2020, the total capitalized costs of the equipment under the lease is \$9,350 and the accumulated depreciation was \$4,285 and \$2,415, respectively.

Capital lease obligations consist of the following at December 31, 2021:

Present Value of Minimum Lease Payments	\$ 5,419
Less: Current Portion	<u>(1,907)</u>
Noncurrent Portion	<u><u>\$ 3,512</u></u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 2,249
2023	2,249
2024	<u>1,499</u>
Total	5,997
Less: Amount Representing Interest	<u>(578)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 5,419</u></u>

THE BAKKEN
NOTES TO FINANCIAL STATEMENTS
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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 had an interest rate of 3.9% and matured on January 27, 2021. The LED lighting served as the collateral on the note.

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 2021 and 2020, the Organization received contributions from board members and employees totaling \$150,944, and \$139,470, respectively.

NOTE 14 CONCENTRATIONS

Total contribution revenue for the years ended December 31, 2021 and 2020 consists of approximately 23% and 45% from one donor, respectively.

As of December 31, 2020, 87% of the Organization's receivables were from one donor. There were no concentrations of receivables as of December 31, 2021.

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.

NOTE 15 COVID-19 RELIEF FUNDS

In 2020, the Organization applied for and was approved for a \$313,373 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was received on April 17, 2020. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization received forgiveness of \$313,373 on January 19, 2021.

Under the second round of Paycheck Protection Program funding, the Organization applied for and was approved for an additional \$328,473 loan. The loan was received on January 29, 2021. The loan accrues interest at 1%, with the first 10 months of interest deferred, has a term of five years and is unsecured and guaranteed by the Small Business Administration. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization received forgiveness of \$328,473 on December 13, 2021.

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NOTE 15 COVID-19 RELIEF FUNDS (CONTINUED)

The loan forgiveness has been recorded as COVID-19 relief funds on the statement of activities. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of 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.

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended December 31, 2021, the Organization complied with the conditions of the Employee Retention Credit (ERC) funding from the federal government in the amount of \$502,719 in compliance with the program.

Grants related to this program are recorded as COVID-19 relief funds on the statement of activities and other receivables related to performance requirements being met and costs being incurred in compliance with the program during the year ended December 31, 2021. The Organization has an outstanding receivable of \$129,877 for its Employee Retention Credit as of December 31, 2021.

Additionally, there was \$31,019 of grants from the state and federal government for COVID-19 relief programs that were recorded as COVID-19 relief funds on the statement of activities. These funds have been received as of December 31, 2021.



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