

**THE BAKKEN**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**



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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 (the Organization), which comprise the balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, 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  
May 11, 2023

**THE BAKKEN  
BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021**

<b>ASSETS</b>	2022	2021
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 234,584	\$ 313,391
Inventory	10,793	9,926
Prepaid Expenses	18,881	21,307
Pledges Receivable - Current Portion	138,945	22,612
Contribution Receivable from Lead Trust - Current Portion	300,000	300,000
Other Assets	-	12,000
Other Receivables	166,107	142,017
Total Current Assets	869,310	821,253
<b>LONG-TERM ASSETS</b>		
Contribution Receivable from Lead Trust - Long-Term Portion	600,308	709,912
Library and Museum Collections	2,968,523	2,968,523
Pledges Receivable - Long-Term Portion	167,029	-
Investments	7,182,274	9,137,939
Financing Right-of-Use Asset, Net	3,195	-
Property and Equipment		
Land and Building	11,399,666	11,299,070
Fixtures and Equipment	412,244	423,581
Total	11,811,910	11,722,651
Less: Accumulated Depreciation	(6,905,252)	(6,408,199)
Total Property and Equipment	4,906,658	5,314,452
Total Long-Term Assets	15,827,987	18,130,826
Total Assets	\$ 16,697,297	\$ 18,952,079

See accompanying Notes to Financial Statements.

**THE BAKKEN  
BALANCE SHEETS (CONTINUED)  
DECEMBER 31, 2022 AND 2021**

<b>LIABILITIES AND NET ASSETS</b>	<u>2022</u>	<u>2021</u>
<b>CURRENT LIABILITIES</b>		
Capital Lease Obligations, Current	\$ -	\$ 1,907
Lease Obligations - Financing, Current	2,036	-
Accounts Payable	46,343	40,554
Accrued Payroll and Related Liabilities	145,987	142,341
Deferred Revenue	47,578	65,778
Borrowings Under the Line of Credit	325,000	130,000
Other Liabilities	3,850	409
Total Current Liabilities	<u>570,794</u>	<u>380,989</u>
<b>LONG-TERM LIABILITIES</b>		
Capital Lease Obligations, Long-Term	-	3,512
Lease Obligations - Financing, Long-Term	19	-
Total Long-Term Liabilities	<u>19</u>	<u>3,512</u>
Total Liabilities	570,813	384,501
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	7,565,063	8,228,395
Board-Designated Endowment	7,182,274	9,137,939
Board-Designated	-	90,000
Total Unrestricted	<u>14,747,337</u>	<u>17,456,334</u>
With Donor Restrictions	1,379,147	1,111,244
Total Net Assets	<u>16,126,484</u>	<u>18,567,578</u>
Total Liabilities and Net Assets	<u>\$ 16,697,297</u>	<u>\$ 18,952,079</u>

See accompanying Notes to Financial Statements.

**THE BAKKEN  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND OTHER REVENUE</b>						
Support:						
Contributions, Cash	\$ 431,537	\$ 616,898	\$ 1,048,435	\$ 312,865	\$ 237,041	\$ 549,906
Contributions, Donated Goods and Services	55,046	-	55,046	5,560	-	5,560
Total Public Support	486,583	\$ 616,898	\$ 1,103,481	\$ 318,425	\$ 237,041	\$ 555,466
Other Revenue:						
Facility Use Fees	155,912	-	155,912	90,389	-	90,389
Program Service Fees, Net of Discounts and Scholarships of \$68,920 and \$31,256, Respectively	492,784	-	492,784	374,517	-	374,517
Change in Contribution Receivable from Lead Trust	-	190,396	190,396	-	194,612	194,612
Gain (Loss) on Disposal of Property and Equipment	(7,834)	-	(7,834)	560	-	560
Investment Income (Loss) , Net of Investment Fees of \$52,562 and \$56,287 , Respectively	(1,505,434)	-	(1,505,434)	850,845	-	850,845
COVID Relief Funds	165,769	-	165,769	1,175,584	-	1,175,584
Miscellaneous	16,003	-	16,003	38,504	-	38,504
Total Other Revenue	(682,800)	190,396	(492,404)	2,530,399	194,612	2,725,011
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	539,391	(539,391)	-	622,506	(622,506)	-
Total Support and Other Revenue	343,174	267,903	611,077	3,471,330	(190,853)	3,280,477
<b>EXPENSES</b>						
Program Services	2,130,768	-	2,130,768	1,850,576	-	1,850,576
Management and General	524,352	-	524,352	398,424	-	398,424
Fundraising	397,051	-	397,051	426,656	-	426,656
Total Expenses	3,052,171	-	3,052,171	2,675,656	-	2,675,656
<b>CHANGE IN NET ASSETS</b>	(2,708,997)	267,903	(2,441,094)	795,674	(190,853)	604,821
Net Assets - Beginning of Year	17,456,334	1,111,244	18,567,578	16,660,660	1,302,097	17,962,757
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 14,747,337</u>	<u>\$ 1,379,147</u>	<u>\$ 16,126,484</u>	<u>\$ 17,456,334</u>	<u>\$ 1,111,244</u>	<u>\$ 18,567,578</u>

See accompanying Notes to Financial Statements.

**THE BAKKEN**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

	2022						
	Program Services			Total Program Services	Management and General	Fundraising	Total
	Exhibits and Collections	Education	Public				
Salaries	\$ 167,125	\$ 740,580	\$ 169,950	\$ 1,077,655	\$ 257,288	\$ 203,678	\$ 1,538,621
Benefits	16,044	81,781	14,875	112,700	20,428	16,360	149,488
Payroll Taxes	12,504	55,146	12,677	80,327	18,944	15,777	115,048
Total Personnel Costs	195,673	877,507	197,502	1,270,682	296,660	235,815	1,803,157
Consultants	21,228	37,462	8,067	66,757	62,356	7,657	136,770
Advertising and Promotion	6,925	36,883	10,187	53,995	-	752	54,747
Program and Office Supplies	4,866	30,178	24,292	59,336	3,121	3,391	65,848
Special Event Expense	88	908	1,101	2,097	-	19,467	21,564
Information Technology	1,735	564	12,049	14,348	511	12,019	26,878
Equipment and Repairs	3,956	12,939	3,128	20,023	2,877	2,429	25,329
Occupancy	20,607	108,575	26,245	155,427	24,587	20,580	200,594
Travel	232	10,170	36	10,438	2,327	-	12,765
Conferences, Conventions, and Meetings	85	1,859	182	2,126	2,936	210	5,272
Dues and Subscriptions	1,989	2,956	1,041	5,986	3,694	-	9,680
Staff Development and Recruitment	213	1,233	895	2,341	49,840	29,498	81,679
Depreciation and Amortization	52,339	276,980	70,258	399,577	60,939	56,845	517,361
Insurance	4,926	25,953	6,274	37,153	5,827	4,919	47,899
Interest Expense	1,689	8,897	2,151	12,737	1,997	1,686	16,420
Bad Debt Expense	-	-	-	-	925	-	925
Taxes and Fees	19	6,606	11,120	17,745	5,755	1,783	25,283
Total Expenses	<u>\$ 316,570</u>	<u>\$ 1,439,670</u>	<u>\$ 374,528</u>	<u>\$ 2,130,768</u>	<u>\$ 524,352</u>	<u>\$ 397,051</u>	<u>\$ 3,052,171</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 and Amortization	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  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,441,094)	\$ 604,821
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Realized (Gain) Loss on Investments	399,943	(1,001,408)
Unrealized Loss on Investments	1,185,995	242,035
Forgiveness of Paycheck Protection Program Loans	-	(641,846)
Bad Debt Expense	925	-
Depreciation	515,491	522,957
Amortization of ROU Asset	1,870	-
(Gain) Loss on Disposal of Property and Equipment	7,834	(560)
Change in Contribution Receivable from Lead Trust	(190,396)	(194,612)
(Increase) Decrease in Current Assets:		
Inventory	(867)	3,330
Prepaid Expenses	2,426	(8,903)
Pledges Receivable	(283,362)	89,326
Other Receivables	(25,015)	(141,980)
Other Assets	12,000	(12,000)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	5,789	3,804
Accrued Payroll and Related Liabilities	3,646	17,538
Deferred Revenue	(18,200)	51,791
Other Liabilities	3,441	(744)
Net Cash Used by Operating Activities	(819,574)	(466,451)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(120,596)	(226,974)
Purchases of Investments	(6,538,017)	(6,889,842)
Proceeds from Sale of Investments	6,907,744	7,098,371
Net Cash Provided (Used) by Investing Activities	249,131	(18,445)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distributions from Lead Trust	300,000	300,000
Principal Payments on Capital Lease Obligations	-	(1,769)
Payments on Notes Payable	-	(1,830)
Payments on Line of Credit	(855,000)	(450,000)
Payments on Finance Lease	(3,364)	-
Proceeds from Notes Payable	-	328,473
Proceeds from Line of Credit	1,050,000	350,000
Net Cash Provided by Financing Activities	491,636	524,874
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(78,807)	39,978
Cash and Cash Equivalents - Beginning of Year	313,391	273,413
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 234,584	\$ 313,391

See accompanying Notes to Financial Statements.

**THE BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**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. For the year ended December 31, 2021, 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. These designated funds were released in the year ended December 31, 2022. In addition, The board has designated a quasi-endowment to generate supporting income for current and future use.

*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, 2022 and 2021.

**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, 2022 AND 2021**

**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, 2022 and 2021. 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, 2022 and 2021.

**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, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

The Bakken leases a copier and determines if an arrangement is a lease at inception. Leases are reported on the balance sheet as a right-of-use (ROU) asset and lease liability. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Bakken uses the incremental borrowing rate at the lease commencement date in determining the present value of lease payments. The lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for the lease payments is recognized on a straight-line basis over the lease term. The Bakken has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**Contributed Services**

During 2022 and 2021, respectively, 150 and 38 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 \$54,747 and \$28,550 for the years ended December 31, 2022 and 2021, 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.

**THE BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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* – 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.

**THE BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2022 and 2021, there are no contract assets. As of December 31, 2022, 2021, and 2020, contract liabilities consist of deferred revenue in the amount of \$34,450, \$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, 2022 and 2021 contract assets consist of other receivables in the amount of \$-0- and \$12,100, respectively. As of December 31, 2022, 2021, and 2020, contract liabilities consist of deferred revenue in the amount of \$13,128, \$20,265, and \$13,987, respectively.

**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 May 11, 2023, the date the financials were available to be issued.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

**THE BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Standards (Continued)**

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires that contributed nonfinancial assets are reported on a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosure of disaggregated amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets along with additional qualitative information about the monetization of such assets, donor restrictions and valuation techniques. The adoption of this standard did not have any significant impact on the accompanying financial statements or disclosures.

**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.



**THE BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 LIQUIDITY (CONTINUED)**

As of December 31, 2022 and 2021, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 234,584	\$ 313,391
Other Receivables	166,107	142,017
Other Assets	-	12,000
Pledges Receivable	305,974	22,612
Lead Trust Receivable	<u>900,308</u>	<u>1,009,912</u>
Total Financial Assets	1,606,973	1,499,932
Less: Lead Trust Receivable with Liquidity Horizon Greater than One Year	(600,308)	(709,912)
Less: Pledges Receivable with Liquidity Horizon Greater than One Year	(167,029)	-
Donor Restricted Net Assets	<u>(211,786)</u>	<u>(100,258)</u>
 Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 627,850</u>	 <u>\$ 689,762</u>

**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>2022</u>	<u>2021</u>
2022	\$ -	\$ 300,000
2023	300,000	300,000
2024	300,000	300,000
2025	300,000	300,000
2026	<u>150,000</u>	<u>-</u>
Total Contributions Receivable	1,050,000	1,200,000
Less: Present Value Discount - 8%	(149,692)	(190,088)
Less: Current Portion of Contribution Receivable	<u>(300,000)</u>	<u>(300,000)</u>
Long-Term Portion of Contribution Receivable	<u>\$ 600,308</u>	<u>\$ 709,912</u>

**THE BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**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>2022</u>	<u>2021</u>
2022	\$ 141,975	\$ 25,642
2023	100,000	-
2024	100,000	-
Total Pledges Receivable	341,975	25,642
Less: Allowance for Doubtful Accounts	(3,030)	(3,030)
Less: Present Value Discount	(32,971)	-
Less: Current Portion of Pledges Receivable	(138,945)	(22,612)
Long-Term Portion of Pledges Receivable	<u>\$ 167,029</u>	<u>\$ -</u>

The imputed interest rate utilized for computing the discount for long-term pledges was 7.5% as of December 31, 2022.

**NOTE 5 INVESTMENTS**

Investments consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Equities	\$ 3,959,847	\$ 5,175,045
Fixed Income	2,164,156	2,925,747
Real Assets	317,888	561,625
Money Markets	740,383	475,522
Total	<u>\$ 7,182,274</u>	<u>\$ 9,137,939</u>

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 BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

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:

	2022			
	Level 1	Level 2	Level 3	Total
Domestic Equities	\$ 3,959,847	\$ -	\$ -	\$ 3,959,847
Fixed Income	-	2,164,156	-	2,164,156
Real Assets	317,888	-	-	317,888
Total	\$ 4,277,735	\$ 2,164,156	\$ -	6,441,891
Money Markets				740,383
Total Investments				\$ 7,182,274

	2021			
	Level 1	Level 2	Level 3	Total
Domestic 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

**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 \$47,067 and \$44,159 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 8 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, 2023. The board-designated endowment assets serve as the collateral on the line of credit. As of December 31, 2022 and 2021, there was \$325,000 and \$130,000 outstanding on the line of credit. On February 9, 2023, the line of credit was extended until February 16, 2024.

**THE BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 9 NET ASSETS**

**With Donor-Restricted Net Assets**

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

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Educational Programs	\$ 211,786	\$ 100,258
Subject to the Passage of Time:		
Contribution Receivable from Lead Trust	900,308	1,009,912
Promises to Give that are Not Restricted by Donors, but Which are Restricted for Timing	<u>267,053</u>	<u>1,074</u>
Total	<u>1,167,361</u>	<u>1,010,986</u>
 Total Net Assets with Donor Restrictions	 <u><u>\$ 1,379,147</u></u>	 <u><u>\$ 1,111,244</u></u>

**Restrictions Released**

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

	<u>2022</u>	<u>2021</u>
Net Asset Releases:		
Educational Programs	\$ 238,341	\$ 194,774
Sustainability Plan	-	23,068
Time	<u>301,050</u>	<u>404,664</u>
Total Net Assets Released	<u><u>\$ 539,391</u></u>	<u><u>\$ 622,506</u></u>

**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, 2022 and 2021 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

**THE BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 10 ENDOWMENT (CONTINUED)**

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Balance - January 1, 2022	\$ 9,137,939	\$ -	\$ 9,137,939
Contributions	-	-	-
Investment Return	(1,515,707)	-	(1,515,707)
Appropriations	(439,958)	-	(439,958)
Endowment Balance - December 31, 2022	<u>\$ 7,182,274</u>	<u>\$ -</u>	<u>\$ 7,182,274</u>
	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>

**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.

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 2022 and 2021 was 4%. The board approved an appropriation of \$439,958 and \$300,000 for the years ended December 31, 2022 and 2021, 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.

**THE BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 11 LEASES**

The Organization leases a copier under a long-term, non-cancelable lease agreement. The lease expires in 2024 with annual payments of \$2,244. In the normal course of business, it is expected that this lease will be renewed or replaced by a similar lease.

The following tables provide quantitative information concerning the Organization's lease for the year ended December 31, 2022:

Lease Cost

Finance Lease Cost:

Amortization of Right-of-Use Assets	\$ 2,013
Interest on Lease Liabilities	330
Total Lease Cost	<u>\$ 2,343</u>

Other Information

Cash Paid for Amounts Included in the

Measurement of Lease Liabilities:

Operating Cash Flows from Finance Leases	\$ 330
Financing Cash Flows from Finance Leases	3,364
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	\$ 5,453
Weighted-Average Remaining Lease Term - Finance Leases	1.6 Years
Weighted-Average Discount Rate - Finance Leases	7.51%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Financing Leases</u>
2023	\$ 2,249
2024	19
Undiscounted Cash Flows	2,268
(Less) Imputed Interest	(213)
Total Present Value	<u>\$ 2,055</u>
Short-Term Lease Liabilities	\$ 2,036
Long-Term Lease Liabilities	19
Total	<u>\$ 2,055</u>

**NOTE 12 NONFINANCIAL ASSETS**

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**THE BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 NONFINANCIAL ASSETS (CONTINUED)**

The Organization received without donor restricted in-kind contributions of services and supplies that are reported in the statement of activities as follows:

	December 31, 2022			
	Programs	Fundraising	Management and General	Total
Professional Services	\$ -	\$ -	\$ 36,380	\$ 36,380
Auction Related	-	10,496	-	10,496
Other	4,425	425	3,320	8,170
Total	\$ 4,425	\$ 10,921	\$ 39,700	\$ 55,046
	December 31, 2021			
	Programs	Fundraising	Management and General	Total
Other	\$ 5,560	\$ -	\$ -	\$ 5,560
Total	\$ 5,560	\$ -	\$ -	\$ 5,560

Professional service in-kinds consist of human resources services and consulting provided to the Organization. The Organization utilizes third-party organizations to verify the value of the respective services.

Auction related in-kinds relate to various tickets, gift cards, and supplies contributed to the Organization through the Brilliant Silent Auction event. These in-kinds are valued at their fair market value.

Other in-kinds consist of several supplies that are needed by the Organization to operate. These in-kinds are recorded at their fair market value.

**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 2022 and 2021, the Organization received contributions from board members and employees totaling \$56,784 and \$150,944, respectively.

**NOTE 14 CONCENTRATIONS**

Total contribution revenue for the years ended December 31, 2022 and 2021 consists of approximately 51% from two donors and 23% from one donor, respectively.

As of December 31, 2022, 88% of the Organization's pledges receivables were from one donor. As of December 31, 2021, there were no concentrations of pledges receivables.

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.

**THE BAKKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 U.S. Small Business Administration (SBA). 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.

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 years ended December 31, 2022 and 2021, the Organization complied with the conditions of the Employee Retention Credit (ERC) funding from the federal government in the amount of \$165,769 and \$502,719 in compliance with the program, respectively.

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, 2022. The Organization has an outstanding receivable of \$165,769 and \$129,877 for its Employee Retention Credit as of December 31, 2022 and 2021, respectively.

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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