
Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)

*Financial Statements
and
Independent Auditor's Report
September 30, 2017 and 2016*



CPAs | Business & Financial Advisors

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Financial Statements	
Governmental Fund Balance Sheet and Statement of Net Position – 2017	11
Governmental Fund Balance Sheet and Statement of Net Position – 2016	12
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities – 2017	13
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities – 2016	14
Notes to Financial Statements	15-23
Required Supplementary Information	
Budgetary Comparison Schedule—Operating Fund – 2017	24
Budgetary Comparison Schedule—Operating Fund – 2016	25
Notes to Required Supplementary Information	26

Independent Auditor's Report

Chairman and Honorable Members of the Legislative Council
Tohono O'odham Nation

We have audited the accompanying financial statements of the governmental activities and major fund of the Hewel Ni'oki Radio Station Department (the "Department") of the Tohono O'odham Nation (the "Nation"), as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions 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 auditor's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Hewel Ñi'okĩ Radio Station Department of the Nation, as of September 30, 2017 and 2016, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the major fund of the Nation that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the Nation as of September 30, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

REDWLLC

Phoenix, Arizona
February 13, 2018

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2017 and 2016

Introduction

The Tohono O'odham Nation (the "Nation"), as the licensee of KOHN 91.9 FM operates the station as an Executive Program under the Executive Branch with the program designation of Hewel Ñi'okĩ, voice of the wind.

The management discussion and analysis (MD&A) of Hewel Ñi'okĩ, managers and operators of KOHN 91.9 FM Radio (KOHN), provides an overview of Hewel Ñi'okĩ's financial performance for the fiscal years ended September 30, 2017 and 2016. Read it in conjunction with the basic financial statements for the period and the annual report to the Corporation for Public Broadcasting (CPB) that accompanies the basic financial statements.

Overview of Operations

Hewel Ñi'okĩ is a department of the Executive Branch of the Tohono O'odham Nation (the "Nation") that reports directly to the Office of the Chairman and operates KOHN 91.9 FM under a Federal Communications Commission (the "Commission") license issued to the Nation. The Nation appropriates operating funds for Hewel Ñi'okĩ through the adoption of an annual budget under the Executive Branch of the Nation's government. The Executive Branch's General Support Services provides indirect administrative support for Hewel Ñi'okĩ which includes financial management and reporting, human resources, facility and fleet maintenance, purchasing, and information technology support.

The Nation is a sovereign nation governed under an adopted constitution. The constitutional government of the Nation is of a tri-branch system consisting of an Executive, Legislative and Judicial Branch. The Executive Branch operates under the direction of a Chairperson and Vice Chairperson elected at large by the citizens (members) of the Nation. The Legislative Branch consists of a Legislative Council, its officers and associated staff. Legislative Representatives are elected at large from 11 separate political districts, two representatives per district. The Chairperson and Vice Chairperson of the Legislative Council are elected from within the council membership and additional officers may be appointed from outside of the body. The Legislative Council provides legislative oversight over the Executive and Judicial Branch through established committees. The Legislative Oversight Committees for Hewel Ñi'okĩ are the Culture Preservation Committee for general issues and the Budget and Finance Committee for appropriations and fiscal matters. The Judicial Branch consists of six appointed Justices for the Nation who serve as the Nation's judgment on disputed civil matters and criminal prosecution through adjudication. The appointed Justices elect from their membership a Chief and Deputy Chief Justice to serve as branch administrators. The Justices are constitutionally empowered to convene from its members an appellate court to hear and render decisions on appeals as well as other lower courts it deems necessary.

Hewel Ni'okĩ's financial activities are managed under policies and procedures of the Executive Branch and adopted laws of the Nation and are subject to the internal audit and control of the

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2017 and 2016

Executive Branch. External audits of Hewel Ni'okĩ for fiscal year are conducted to comply with the conditions of a Corporation for Public Broadcasting (CPB) Community Services Grant that KOHN was awarded for fiscal years 2017 and 2016. CPB is a private, nonprofit corporation created by Congress. CPB is not a governing agency and promotes telecommunications services for the American people.

KOHN 91.9 FM was originally licensed to the Nation on December 23, 2004. The license was renewed on September 27, 2013 and expires on October 1, 2021.

KOHH 90.7 FM began operations upon the grant of its license on November 14, 2014. The license also expires on October 1, 2021.

The Nation successfully completed the construction of two low power FM radio stations and began operations in fiscally year 2017; KOHF-LP began broadcasting upon the issuance of its license on March 10, 2017 and KWAK-LP began its broadcast operations on July 14, 2017.

KOHF-LP 101.1 FM serves the Florence Community, an affiliated community of the Gu Achi District of the Nation, while KWAK-LP 102.5 FM serves the Wa:k community of the San Xavier District of the Nation.

Original programming for both low power stations will be provided by Hewel Ni'ok's second broadcast facility located within the Wa:k community.

Overview of Financial Statements

This annual report consists of four parts:

1. Management's discussion and analysis.
2. Basic financial statements.
3. Notes to the basic financial statements.
4. Required supplementary information.

The financial statements of Hewel Ñi'okĩ are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements combine the fund and department-wide financial statements. These statements present different views of the organization.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2017 and 2016

Department-Wide Statements

The Statements of Net Position and the Statements of Activities are department-wide, providing both long-term and short-term information about Hewel Ñi'okĩ's overall financial status. These department-wide financial statements are designed to provide readers with a broad overview of Hewel Ñi'okĩ's finances, in a manner similar to a private-sector business.

The Statements of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether financial position is improving or deteriorating.

The Statements of Activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., accrued leave).

Fund Financial Statements

The fund balance sheets and the statements of revenues, expenditures, and changes in fund balance provide detailed information about the most significant funds. All of Hewel Ñi'okĩ's activities are reported in the operating fund. The financial statements also present a budgetary comparison for the operating fund as supplementary information.

The operating fund is a governmental fund and therefore its focus is on how cash and other financial assets flow in and out, and the balances left at year-end that are available for spending.

Governmental funds provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs.

The notes to the financial statements provide required disclosures and other information that are essential to full understanding of the material data provided in the statements. The notes present information about accounting principles, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2017 and 2016

Condensed Financial Information

The following summarizes assets, liabilities and net position:

Table 1
Assets, Liabilities, and Net Position
September 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Current assets	\$ 61,657	\$ 42,829	\$ 50,228
Capital assets, net	<u>827,439</u>	<u>723,256</u>	<u>418,269</u>
Total assets	<u>889,096</u>	<u>766,085</u>	<u>468,497</u>
Liabilities			
	<u>99,036</u>	<u>64,072</u>	<u>71,513</u>
Net Position			
Net investment in capital assets	827,439	723,256	418,269
Unrestricted (deficit)	<u>(37,379)</u>	<u>(21,243)</u>	<u>(21,285)</u>
Total net position	<u>\$ 790,060</u>	<u>\$ 702,013</u>	<u>\$ 396,984</u>

The following summarizes changes in net position:

Table 2
Revenues, Expenses and Other Changes in Net Position
For the Years Ended September 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating grants	\$ 197,372	\$ 229,286	\$ 222,763
Indirect administrative support	165,945	146,135	137,399
Donations/contributions	1,476	8,211	2,285
Expenses – radio station operations	(1,106,144)	(962,718)	(870,638)
Capital contribution	-	187,070	84,419
Transfers from Tohono O'odham Nation general fund	<u>829,398</u>	<u>697,045</u>	<u>579,372</u>
Increase (decrease) in net position	<u>\$ 88,047</u>	<u>\$ 305,029</u>	<u>\$ 155,600</u>

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2017 and 2016

Tables 3 and 4 summarize expenses in the program and support services functional categories.

Table 3
Schedule of Functional Expenses by Natural Class
For the Years Ended September 30,

	2017			2016 Total	2015 Total
	Program Services	Support Services	Total		
Salaries	\$ 330,211	\$ 203,829	\$ 534,040	\$ 436,278	\$ 413,512
Fringe benefits	92,156	57,944	150,100	130,892	129,807
Nation administrative support	-	165,945	165,945	146,135	137,399
Insurance	2,054	228	2,282	2,185	2,094
Mileage	3,974	2,121	6,095	8,066	2,906
Utilities	28,823	1,414	30,237	28,940	28,349
Communications	22,280	2,853	25,133	26,747	27,969
Freight and postage	-	312	312	1,318	226
Fuel	3,317	-	3,317	2,034	3,590
Office supplies	1,573	477	2,050	1,438	3,120
Other supplies	28,883	12,651	41,534	45,249	9,485
Program supplies	4,840	-	4,840	3,654	2,161
Dues and subscriptions	20,232	4,510	24,742	25,207	23,758
Lease/rentals	5,184	-	5,184	5,184	5,184
Repairs and maintenance – equipment	1,479	655	2,134	4,765	2,500
Repairs and maintenance – vehicle	4,137	-	4,137	3,309	2,462
Repairs and maintenance – building	1,939	215	2,154	-	-
Professional services	34,980	-	34,980	23,950	26,837
Public relations	2,800	-	2,800	1,623	-
Audit	-	15,600	15,600	20,000	19,000
Food	2,620	-	2,620	4,521	733
Donations and contributions	-	-	-	1,800	-
Depreciation	-	45,908	45,908	39,423	29,546
Totals	<u>\$ 591,482</u>	<u>\$ 514,662</u>	<u>\$ 1,106,144</u>	<u>\$ 962,718</u>	<u>\$ 870,638</u>

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2017 and 2016

Table 4
Schedule of Summarized Functional Expenses
For the Years Ended September 30,

	<u>2017</u>	2016	2015
Program services			
Programming and production	\$ 372,117	\$ 328,257	\$ 318,282
Broadcasting and engineering	147,889	145,476	118,614
Program information and promotion	<u>71,476</u>	<u>119,846</u>	<u>127,969</u>
Subtotal	591,482	593,579	564,865
Support services			
Management and general	<u>514,662</u>	<u>369,139</u>	<u>305,773</u>
Total	<u>\$ 1,106,144</u>	<u>\$ 962,718</u>	<u>\$ 870,638</u>

Budgetary Highlights

The appropriations for both KOHF-LP and KWAK-LP low power stations construction activities were carried into the fiscal year 2017 for completion. The appropriation for the KWAK-LP construction included funds for operations which permitted staff to be hired and begin program development and initial training of On-Air talent. KOHF-LP was completed and began broadcast operations in March 2017 followed by KWAK-LP in July 2017.

KOHF-LP experienced delays due to an exhausting process in obtaining right-of-way approval for the extension of electrical service to the transmitter facility. Similar delays were experienced with KWAK-LP, however, since the service provider was the Nation's utility authority, the delays were not substantial and the project was completed on a timely basis. While these delays did not impact upon the cost outlays, it did raise management's concern in completing KOHF-LP within the time permitted by the FCC which would have been a loss of the Nation's investment in the project.

While fiscal year 2017 was the inaugural operating year for KWAK-LP, the operational funds were a part of unexpended surplus of the original appropriation. KWAK-LP will be granted regular operational funding in fiscal year 2018.

The aging and pending end of life of KOHN's transmitter remains a major concern of management as well as the condition of capital equipment. This situation has been communicated to the leadership of the Nation as a future matter that must be addressed.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2017 and 2016

Community Service Grants (CSG)

KOHN FM receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually for radio. The Community Service Grants received and expended during the most recent fiscal years were as follows:

Year of Grant	Grants Awarded	Expended					Uncommitted Balance at
		Prior Years	2014	2015	2016	2017	September 30, 2017
Prior years	\$ 1,181,630	\$ 1,181,630	\$ -	\$ -	\$ -	\$ -	\$ -
2013	196,684	142,365	54,319	-	-	-	-
2014	209,166	-	174,937	34,229	-	-	-
2015	216,212	-	-	188,534	27,678	-	-
2016	215,663	-	-	-	201,608	14,055	-
2017	215,063	-	-	-	-	183,317	31,746
	<u>\$ 2,234,418</u>	<u>\$ 1,323,995</u>	<u>\$ 229,256</u>	<u>\$ 222,763</u>	<u>\$ 229,286</u>	<u>\$ 197,372</u>	<u>\$ 31,746</u>

Capital Assets

Capital assets include all installed equipment, vehicles, main studio, transmitter and tower. The Public Telephone Facilities Program (PTFP) has an executed ten year lien on all satellite equipment purchased and installed. The expiration of this lien is 2018.

The completion of KWAK-LP and KOHF-LP will add substantially to the capital assets of Hewel Ñi'okĩ, particularly the main studio located in the Wa:k community. The studio will provide original programming to the low power station.

Economic Factors and Next Year's Budgets

The factors that will impact fiscal year 2018 operations include the operations of the new main studio facility for the low power stations and the expected implementation of Nation's salary adjustments to market.

The proposed operational budget for the KWAK-LP main studio was estimated at \$180,000 however, the actual budget adopted totaled \$227,541. This included the minimal staff requirements stipulated by the FCC.

The Nation began its salary survey during fiscal year 2017 which may be funded in fiscal year 2018. Preliminary reports indicate that few positions of Hewel Ñi'okĩ will be substantially impacted. Management anticipated that this would be the case since Hewel Ñi'okĩ has used the Corporation for Public Broadcasting's annual salary survey as a basis for all its initial salary base for all its positions. It must be disclosed that management was correct in its view that On-air talent salary has not kept up to market and will have to be addressed.

Hewel N̄i'ok̄i Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2017 and 2016

Contacting Financial Management

This financial report is designed to provide donors, members, and the general public with a general overview of Hewel N̄i'ok̄i's finances and to account for the funding it receives. It is also intended to help the reader better understand the changes in the financial statement format. Hewel N̄i'ok̄i's annual basic financial statements and reports to CPB are available for public inspection during business hours at Hewel N̄i'ok̄i's main studio located at Arizona State Route 86, milepost 92.4, Covered Wells, Arizona or can be requested by mail at the following address:

Hewel N̄i'ok̄i
KOHN 91.9 FM
Tohono O'odham Nation
Post Office Box 837
Sells, Arizona 85634

Financial Statements

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Governmental Fund Balance Sheet and Statement of Net Position
September 30, 2017

	Operating Fund	Adjustments (Note 6)	Statement of Net Position
Assets			
Current assets			
Due from Nation's general fund	\$ 61,657	\$ -	\$ 61,657
Total current assets	61,657	-	61,657
Capital assets, net	-	827,439	827,439
Total assets	<u>\$ 61,657</u>	<u>\$ 827,439</u>	<u>\$ 889,096</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 13,633	\$ -	\$ 13,633
Accrued expenses	17,070	-	17,070
Unearned revenue	30,954	-	30,954
Total current liabilities	61,657	-	61,657
Accrued compensated absences	-	37,379	37,379
Total liabilities	61,657	37,379	99,036
Fund Balance/Net Position			
<i>Unassigned</i>			
Fund balance	-	-	-
Total liabilities and fund balance	<u>\$ 61,657</u>	<u>37,379</u>	<u>99,036</u>
Net position			
Net investment in capital assets		827,439	827,439
Unrestricted (deficit)		<u>(37,379)</u>	<u>(37,379)</u>
Total net position		<u>\$ 790,060</u>	<u>\$ 790,060</u>

The accompanying notes are an integral part of these financial statements.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Governmental Fund Balance Sheet and Statement of Net Position
September 30, 2016

	Operating Fund	Adjustments (Note 6)	Statement of Net Position
Assets			
Current assets			
Due from Nation's general fund	\$ 42,829	\$ -	\$ 42,829
Total current assets	42,829	-	42,829
Capital assets, net	-	723,256	723,256
Total assets	\$ 42,829	\$ 723,256	\$ 766,085
Liabilities			
Current liabilities			
Accounts payable	\$ 13,559	\$ -	\$ 13,559
Accrued expenses	16,007	-	16,007
Unearned revenue	13,263	-	13,263
Total current liabilities	42,829	-	42,829
Accrued compensated absences	-	21,243	21,243
Total liabilities	42,829	21,243	64,072
Fund Balance/Net Position			
<i>Unassigned</i>			
Fund balance	-	-	-
Total liabilities and fund balance	\$ 42,829	21,243	64,072
Net position			
Net investment in capital assets		723,256	723,256
Unrestricted (deficit)		(21,243)	(21,243)
Total net position		\$ 702,013	\$ 702,013

The accompanying notes are an integral part of these financial statements.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance and Statement of Activities
For the Year Ended September 30, 2017

	Operating Fund	Adjustments (Note 6)	Statement of Activities
Revenues			
Operating grants	\$ 197,372	\$ -	\$ 197,372
Indirect administrative support	165,945	-	165,945
Donations/contributions	<u>1,476</u>	<u>-</u>	<u>1,476</u>
Total revenues	<u>364,793</u>	<u>-</u>	<u>364,793</u>
Expenditures/Expenses			
Radio station operations			
Salaries	517,904	16,136	534,040
Fringe benefits	150,100	-	150,100
Nation administrative support	165,945	-	165,945
Utilities and communication	55,370	-	55,370
Miscellaneous expenses	104,201	-	104,201
Professional services	50,580	-	50,580
Capital outlay	150,091	(150,091)	-
Depreciation	<u>-</u>	<u>45,908</u>	<u>45,908</u>
Total expenditures/expenses	<u>1,194,191</u>	<u>(88,047)</u>	<u>1,106,144</u>
Revenues (under) expenditures/expenses before transfers	<u>(829,398)</u>	<u>88,047</u>	<u>(741,351)</u>
Transfers from the Nation's general fund	<u>829,398</u>	<u>-</u>	<u>829,398</u>
Revenues and transfers over expenditures/expenses	-	88,047	88,047
Fund balance/net position, beginning of year	<u>-</u>	<u>702,013</u>	<u>702,013</u>
Fund balance/net position, end of year	<u>\$ -</u>	<u>\$ 790,060</u>	<u>\$ 790,060</u>

The accompanying notes are an integral part of these financial statements.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance and Statement of Activities
For the Year Ended September 30, 2016

	Operating Fund	Adjustments (Note 6)	Statement of Activities
Revenues			
Operating grants	\$ 229,286	\$ -	\$ 229,286
Indirect administrative support	146,135	-	146,135
Donations/contributions	<u>8,211</u>	<u>-</u>	<u>8,211</u>
Total revenues	<u>383,632</u>	<u>-</u>	<u>383,632</u>
Expenditures/Expenses			
Radio station operations			
Salaries	436,320	(42)	436,278
Fringe benefits	130,892	-	130,892
Nation administrative support	146,135	-	146,135
Utilities and communication	55,687	-	55,687
Miscellaneous expenses	110,353	-	110,353
Professional services	43,950	-	43,950
Capital outlay	157,340	(157,340)	-
Depreciation	<u>-</u>	<u>39,423</u>	<u>39,423</u>
Total expenditures/expenses	<u>1,080,677</u>	<u>(117,959)</u>	<u>962,718</u>
Revenues (under) expenditures/expenses before transfers and contributions	(697,045)	117,959	(579,086)
Capital contribution	-	187,070	187,070
Transfers from the Nation's general fund	<u>697,045</u>	<u>-</u>	<u>697,045</u>
Revenues and transfers/contributions (under) expenditures/expenses	-	305,029	305,029
Fund balance/net position, beginning of year	<u>-</u>	<u>396,984</u>	<u>396,984</u>
Fund balance/net position, end of year	<u>\$ -</u>	<u>\$ 702,013</u>	<u>\$ 702,013</u>

The accompanying notes are an integral part of these financial statements.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2017 and 2016

1) Summary of Significant Accounting Policies

Nature of Operations

Hewel Ñi'okĩ Radio Station (Hewel Ñi'okĩ), formally known as KOHN Radio Station (KOHN), is a department of the Tohono O'odham Nation (the "Nation"). Hewel Ñi'okĩ's primary function is to provide public broadcasting to the people of the Nation and surrounding communities.

Reporting Entity

Hewel Ñi'okĩ is one of several departments of the Nation. The financial statements present only the financial position of Hewel Ñi'okĩ and do not purport to, and do not, present fairly the financial position of the Tohono O'odham Nation, and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

Department-Wide Financial Statements—The department-wide financial statements, which are the statements of net position and statement of activities, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which Hewel Ñi'okĩ gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, operating subsidies from the Nation's general fund, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements—Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Hewel Ñi'okĩ considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2017 and 2016

Hewel Ñi'okĩ's only governmental fund is the operating fund, which accounts for all its financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund Transactions

Interfund services provided or used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/ expenses are accounted for as interfund transactions in the reimbursing fund and as reductions of expenditures/expenses in the funds that are reimbursed.

Capital Assets and Depreciation

Capital assets are presented at historical cost, less accumulated depreciation. Expenditures for additions, improvements, and replacements of capital assets are capitalized while maintenance and repairs, which do not improve or extend the service lives of the respective assets, are expensed as incurred. The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$5,000. Depreciation is provided using the straight-line method over estimated useful lives, which is 40 years for buildings, 5-10 years for broadcast equipment, and 5 years for furniture and vehicles.

Income Taxes

As a department of the Tohono O'odham Nation, Hewel Ñi'okĩ is exempt from federal and state income taxes.

Indirect Administrative Support

Administrative support from the Nation consists of the portion of the indirect costs incurred by the Nation and attributable to Hewel Ñi'okĩ's operations including financial management and reporting, human resources, facility and fleet maintenance, purchasing, and information technology support. Administrative support is calculated and recorded as revenue and expense using methods mandated by the Corporation for Public Broadcasting (CPB).

In-Kind Contributions

Hewel Ñi'okĩ receives donated personal services from nonprofessional volunteers. However, these services are not recorded as revenue and expense in the accompanying

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2017 and 2016

financial statements as there is no objective basis available to measure the value of such services. Hewel Ñi'okĩ received approximately 824 donated volunteer hours in 2017 and 868 hours in 2016.

Compensated Absences

Employees of the Nation are granted vacation leave in varying amounts. In the event of termination, an employee is reimbursed for the accumulated vacation leave. All vacation pay is accrued when incurred in the department-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

Employees of the Nation are granted nonvesting accumulating sick leave. Upon termination, an employee is not entitled to be paid for the accumulated sick leave. Therefore, sick leave benefits are not accrued.

Budgetary Data

The following procedures are used to establish the revenues and expenditures budget data reported as required supplementary information in the accompanying financial statements:

1. The Budget and Finance Committee, working with department directors, submits a proposed budget to the Nation's Legislative Council for adoption. The Council adopts the budget as submitted or modifies the proposed budget before adopting it.
2. Budget changes must be approved by the Budget and Finance Committee.
3. Funded program budgets and changes are subject to funding agency approval.
4. Appropriations lapse at year-end on the Nation's funded budget.
5. The budget for the Nation is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Net Position and Fund Balances

The difference between fund assets and liabilities is "net position" on the government-wide statements, and "fund balance" on governmental fund statements.

Net position is classified in the following three categories:

- ♦ *Net Investment in Capital Assets*—Consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvements of those assets.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2017 and 2016

- ◆ *Restricted Net Position*—Restricted net position results when constraints placed on an asset's use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.
- ◆ *Unrestricted Net Position*—Unrestricted net position consists of net position that does not meet the definition of the two preceding categories.

The governmental fund types classify fund balance as follows:

1. *Nonspendable*—includes amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or long-term receivables.
2. *Restricted*—includes amounts that can be spent only for the specific purposes imposed by creditors, grantors, contributors, or laws and regulations of other governments. An example is federal grants.
3. *Committed*—includes self-imposed limitations on amounts that can be used only for a specific purpose, set in place prior to the end of the period by a formal action of the Nation's highest level of decision-making authority. Commitments established by the Chairman or Legislative Council may be changed or lifted only by an action of the Chairman or Legislative Council, taking the same formal action that imposed the original constraint. Typically, through resolution from the Nation's council.
4. *Assigned*—comprises amounts intended to be used by for specific purposes. Intent can be expressed by the Chairman or Legislative Council, or by an official, to which the Chairman or Legislative Council delegates the authority. This indicates that resources in governmental funds are, at a minimum, intended to be used for the purpose of that fund.
5. *Unassigned*—is the residual classification and includes all amounts not contained in other fund balance classifications. Unassigned amounts are available for any purpose.

New Accounting Standards

The GASB has issued several new statements. Management has evaluated the future impact on the Department's financial statements and determined that those statements will not significantly impact accounting or financial reporting by Hewel Ñi'okĩ.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2017 and 2016

2) Capital Assets

Capital asset activity for the year ended September 30, 2017, is summarized as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 253,964	\$ 3,809	\$ (253,964)	\$ 3,809
Total capital assets not being depreciated	<u>253,964</u>	<u>3,809</u>	<u>(253,964)</u>	<u>3,809</u>
<i>Capital assets being depreciated</i>				
Building	387,323	70,112	194,685	652,120
Broadcast equipment	423,599	76,170	49,496	549,265
Vehicles	<u>30,867</u>	<u>-</u>	<u>-</u>	<u>30,867</u>
Total capital assets being depreciated	<u>841,789</u>	<u>146,282</u>	<u>244,181</u>	<u>1,232,252</u>
Less accumulated depreciation for				
Building	146,053	11,931	-	157,984
Broadcast equipment	195,578	33,977	(9,783)	219,772
Vehicles	<u>30,866</u>	<u>-</u>	<u>-</u>	<u>30,866</u>
Total accumulated depreciation	<u>372,497</u>	<u>45,908</u>	<u>(9,783)</u>	<u>408,622</u>
Total capital assets, net	<u>\$ 723,256</u>	<u>\$ 104,183</u>	<u>\$ -</u>	<u>\$ 827,439</u>

Capital asset activity for the year ended September 30, 2016, is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 96,624	\$ 157,340	\$ -	\$ 253,964
Total capital assets not being depreciated	<u>96,624</u>	<u>157,340</u>	<u>-</u>	<u>253,964</u>
<i>Capital assets being depreciated</i>				
Building	387,323	-	-	387,323
Broadcast equipment	236,529	187,070	-	423,599
Vehicles	<u>30,867</u>	<u>-</u>	<u>-</u>	<u>30,867</u>
Total capital assets being depreciated	<u>654,719</u>	<u>187,070</u>	<u>-</u>	<u>841,789</u>
Less accumulated depreciation for				
Building	136,370	9,683	-	146,053
Broadcast equipment	165,838	29,740	-	195,578
Vehicles	<u>30,866</u>	<u>-</u>	<u>-</u>	<u>30,866</u>
Total accumulated depreciation	<u>333,074</u>	<u>39,423</u>	<u>-</u>	<u>372,497</u>
Total capital assets, net	<u>\$ 418,269</u>	<u>\$ 304,987</u>	<u>\$ -</u>	<u>\$ 723,256</u>

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2017 and 2016

All depreciation expense is charged to radio station operations.

3) Due from Nation, Transfers, and Capital Contributions

At September 30, 2017 and 2016, the Nation's general fund owed Hewel Ñi'okĩ \$61,657 and \$42,829, respectively, for unexpended Corporation for Public Broadcasting grant funds received on Hewel Ñi'okĩ's behalf. In the years ended September 30, 2017 and 2016, the Nation's general fund transferred \$829,398 and \$697,045, respectively, to Hewel Ñi'okĩ to support radio station operations.

During the fiscal year 2016, the Nation transferred broadcast equipment totaling \$187,070.

4) Accrued Compensated Absences

The following is a summary of Hewel Ñi'okĩ's accrued compensated absences activity for the year ended September 30, 2017:

Balance September 30, 2016	Increase	Balance September 30, 2017	Amount Due Within One Year
<u>\$ 21,243</u>	<u>\$ 16,136</u>	<u>\$ 37,379</u>	<u>\$ -</u>

The following is a summary of Hewel Ñi'okĩ's accrued compensated absences activity for the year ended September 30, 2016:

Balance September 30, 2015	Decrease	Balance September 30, 2016	Amount Due Within One Year
<u>\$ 21,285</u>	<u>\$ (42)</u>	<u>\$ 21,243</u>	<u>\$ -</u>

Hewel N̄i'ok̄i Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2017 and 2016

5) Indirect Administrative Support

Indirect support from the Nation consists of allocations of the Nation's institutional support and facility operation costs that benefit Hewel N̄i'ok̄i Radio Station. It is calculated based upon the indirect cost rate that the Nation annually negotiates with the United States Department of Interior, Interior Business Center, and Indirect Cost Services. For the periods ended September 30, 2017 and 2016, the approved negotiated rate applicable to all programs was 20.12%. Hewel N̄i'ok̄i applied this rate to calculate the total value of administrative support provided by the Nation. The fair value of this support is recognized as operating revenue in the statements of activities and governmental fund revenues, expenditures, and changes in fund balance/net position as indirect administrative support for operations and also in operating expenses as Nation administrative support. The value of this support was \$165,945 and \$146,135 for the years ended September 30, 2017 and 2016, respectively.

6) Reconciling Amounts

At September 30, 2017, total fund balance of Hewel N̄i'ok̄i's governmental fund of \$0 differs from total net position reported on the statement of net position of \$790,060 because capital assets with a net book value of \$827,439 and accrued compensated absences of \$37,379 are not reported in the funds. Additionally, the change in fund balance of Hewel N̄i'ok̄i's governmental fund revenues, expenditures and changes in fund balance was \$0, which differs from the increase in net position reported on the statement of activities of \$88,047, by the amount of depreciation expense of \$45,908, plus the compensated absence liability increase of \$16,136 and capital outlay in the amount of \$150,091 for the year.

At September 30, 2016, total fund balance of Hewel N̄i'ok̄i's governmental fund of \$0 differs from total net position reported on the statement of net position of \$702,013 because capital assets with a net book value of \$723,256 and accrued compensated absences of \$21,243 are not reported in the funds. Additionally, the change in fund balance of Hewel N̄i'ok̄i's governmental fund revenues, expenditures and changes in fund balance was \$0, which differs from the increase in net position reported on the statement of activities of \$305,029, by the amount of depreciation expense of \$39,423, plus the compensated absence liability decrease of \$42, capital outlay in the amount of \$157,340, and a capital contribution of \$187,070 for the year.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2017 and 2016

7) Risk Management

Hewel Ñi'okĩ and the Nation are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Nation carries commercial insurance for all such risks of loss. Settled claims have not exceeded commercial insurance coverage for any of the previous three years.

8) Retirement Plan

The Nation sponsors and administers the Tohono O'odham Nation 401(k) Retirement Plan (the "Plan"). Each employee shall be eligible to make employee voluntary contributions to the Plan on the first Plan enrollment date on or following the initial date of hire, or the day on which the employee attains the age of eighteen years, whichever occurs last. The Nation will contribute 5% of the employee's compensation to an individual account and will match the employee voluntary contributions at 50% of the employee voluntary contributions up to 5% of the employee's compensation. The employee voluntary contributions are fully vested and not forfeitable at any time. The employee contributions are vested after the completion of four years of service by the employee.

For the years ended September 30, 2017 and 2016, contributions to the Plan by the Nation on behalf of Hewel Ñi'okĩ employees totaled \$26,687 and \$23,447, respectively. Hewel Ñi'okĩ employee voluntary contributions for the years ended September 30, 2017 and 2016 totaled \$8,011 and \$6,722, respectively.

9) Related Parties

Hewel Ñi'okĩ's utilities, telephone services, and lease services are provided by the Tohono O'odham Utility Authority. For the years ended September 30, 2017 and 2016, Hewel Ñi'okĩ's utility, communication expense, and lease expense were approximately \$45,748 and \$58,448, respectively.

Hewel Ñi'okĩ's solid waste services are provided by Tohono O'odham Solid Waste. For the years ended September 30, 2017 and 2016, Hewel Ñi'okĩ's solid waste expense was \$1,127 and \$1,040, respectively.

For the years ended September 30, 2017 and 2016, Hewel Ñi'okĩ's revenue share expense to Gu Achi and San Lucy was \$0 and \$662, respectively for each district.

Hewel N̄i'ok̄i Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2017 and 2016

For the years ended September 30, 2017 and 2016, Hewel N̄i'ok̄i's expense for site monitoring and development fee to San Xavier was \$3,221 and \$710, respectively.

Required Supplementary Information

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Budgetary Comparison Schedule—Operating Fund
For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Operating grants	\$ 280,670	\$ 230,740	\$ 197,372	\$ (33,368)
Indirect administrative support	47,771	34,278	165,945	131,667
Donations/contributions	<u>3,007</u>	<u>3,007</u>	<u>1,476</u>	<u>(1,531)</u>
Total revenues	<u>331,448</u>	<u>268,025</u>	<u>364,793</u>	<u>96,768</u>
Expenditures				
Radio station operations				
Salaries	521,691	538,931	517,904	21,027
Fringe benefits	193,302	186,678	150,100	36,578
Nation administrative support	47,771	34,278	165,945	(131,667)
Utilities and communication	87,765	82,860	55,370	27,490
Miscellaneous expenses	176,357	135,652	104,201	31,451
Capital outlay	202,615	173,284	150,091	23,193
Professional services	<u>45,976</u>	<u>60,371</u>	<u>50,580</u>	<u>9,791</u>
Total expenditures	<u>1,275,477</u>	<u>1,212,054</u>	<u>1,194,191</u>	<u>17,863</u>
Revenues (under) expenditures before transfers	(944,029)	(944,029)	(829,398)	114,631
Transfers from the Nation's general fund	<u>-</u>	<u>-</u>	<u>829,398</u>	<u>829,398</u>
Revenues and transfers over expenditures	(944,029)	(944,029)	-	944,029
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ (944,029)</u>	<u>\$ (944,029)</u>	<u>\$ -</u>	<u>\$ 944,029</u>

See notes to required supplementary information.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Budgetary Comparison Schedule—Operating Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Operating grants	\$ 227,637	\$ 243,342	\$ 229,286	\$ (14,056)
Indirect administrative support	37,480	39,979	146,135	106,156
Donations/contributions	4,631	4,631	8,211	3,580
Total revenues	<u>269,748</u>	<u>287,952</u>	<u>383,632</u>	<u>95,680</u>
Expenditures				
Radio station operations				
Salaries	528,170	535,186	436,320	98,866
Fringe benefits	192,774	193,816	130,892	62,924
Nation administrative support	37,480	39,979	146,135	(106,156)
Utilities and communication	86,160	83,160	55,687	27,473
Miscellaneous expenses	217,474	204,214	110,353	93,861
Capital outlay	345,986	366,430	157,340	209,090
Professional services	44,000	47,464	43,950	3,514
Total expenditures	<u>1,452,044</u>	<u>1,470,249</u>	<u>1,080,677</u>	<u>389,572</u>
Revenues (under) expenditures before transfers	(1,182,296)	(1,182,297)	(697,045)	485,252
Transfers from the Nation's general fund	-	-	697,045	697,045
Revenues and transfers over expenditures	(1,182,296)	(1,182,297)	-	1,182,297
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ (1,182,296)</u>	<u>\$ (1,182,297)</u>	<u>\$ -</u>	<u>\$ 1,182,297</u>

See notes to required supplementary information.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Required Supplementary Information
For the Years Ended September 30, 2017 and 2016

1) Budget Information

The Nation adopts an annual operating budget for Hewel Ñi'okĩ Radio Station on a basis consistent with accounting principles generally accepted in the United States of America. The Nation does not budget for transfers in and out.