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

*Financial Statements
and
Independent Auditor's Report
September 30, 2019 and 2018*

REDW^{LLC}
CPAs | 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 – 2019	11
Governmental Fund Balance Sheet and Statement of Net Position – 2018	12
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities – 2019	13
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities – 2018	14
Notes to Financial Statements	15-23
Required Supplementary Information	
Budgetary Comparison Schedule—Operating Fund – 2019	24
Budgetary Comparison Schedule—Operating Fund – 2018	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 Ní'okí Radio Station Department (the "Department") of the Tohono O'odham Nation (the "Nation"), as of and for the years ended September 30, 2019 and 2018, 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'okī Radio Station Department of the Nation, as of September 30, 2019 and 2018, 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, 2019 and 2018, the changes in its financial position 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.

REOW LLC

Phoenix, Arizona
January 31, 2020

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2019 and 2018

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, 2019 and 2018. 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 to preserve the Nation's culture 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 Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2019 and 2018

The Nation's broadcast network, which Hewel Ñi'okĩ manages and operates, consists of the original station KOHN 91.9 FM that was originally licensed to the Nation on December 23, 2004. Subsequently, the license was renewed on September 27, 2013, and expanded to three additional licenses; KOHH 90.7 FM licensed on November 14, 2014; KOHF-LP 101.1 FM licensed on March 10, 2017; and KWAK-LP 102.5 FM licensed on July 14, 2017. All licenses are subject to renewal in 2021 by the CPB.

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.

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).

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2019 and 2018

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.

Condensed Financial Information

The following summarizes assets, liabilities and net position:

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

	<u>2019</u>	2018	2017
Assets			
Current assets	\$ 64,326	\$ 59,243	\$ 61,657
Capital assets, net	<u>766,780</u>	<u>842,150</u>	<u>827,439</u>
Total assets	<u>831,106</u>	<u>901,393</u>	<u>889,096</u>
Liabilities	<u>106,398</u>	<u>97,068</u>	<u>99,036</u>
Net Position			
Net investment in capital assets	766,780	842,150	827,439
Unrestricted (deficit)	<u>(42,072)</u>	<u>(37,825)</u>	<u>(37,379)</u>
Total net position	<u>\$ 724,708</u>	<u>\$ 804,325</u>	<u>\$ 790,060</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, 2019 and 2018

The following summarizes changes in net position:

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

	2019	2018	2017
Operating grants	\$ 227,663	\$ 227,521	\$ 197,372
Indirect administrative support	176,379	170,932	165,945
Donations/contributions	5,425	8,500	1,476
Expenses – radio station operations	(1,202,433)	(1,153,820)	(1,106,144)
Transfers from Tohono O'odham Nation general fund	<u>713,349</u>	<u>761,132</u>	<u>829,398</u>
Increase (decrease) in net position	<u>\$ (79,617)</u>	<u>\$ 14,265</u>	<u>\$ 88,047</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, 2019 and 2018

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,

	2019			2018 Total	2017 Total
	Program Services	Support Services	Total		
Salaries	\$ 337,802	\$ 203,080	\$ 540,882	\$ 548,674	\$ 534,040
Fringe benefits	95,919	55,340	151,259	156,081	150,100
Nation administrative support	-	176,379	176,379	170,932	165,945
Insurance	3,064	340	3,404	2,299	2,282
Training and registration	2,350	375	2,725	-	-
Lodging	5,960	1,244	7,204	2,199	-
Per diem	2,343	532	2,875	420	-
Mileage	893	90	983	2,240	6,095
Utilities	34,654	4,410	39,064	36,188	30,237
Communications	28,121	3,089	31,210	32,951	25,133
Freight and postage	-	379	379	80	312
Fuel	2,982	1,308	4,290	2,699	3,317
Supplies - office	2,751	686	3,437	2,906	2,050
Supplies - equipment	18,155	1,274	19,429	-	-
Other supplies	-	-	-	22,831	41,534
Program supplies	8,415	2,254	10,669	5,660	4,840
Uniforms	1,070	264	1,334	1,891	-
Dues and subscriptions	21,337	4,425	25,762	24,203	24,742
Lease/rentals	5,429	-	5,429	5,184	5,184
Repairs and maintenance – equipment	14,123	1,544	15,667	2,125	2,134
Repairs and maintenance – vehicle	1,465	184	1,649	914	4,137
Repairs and maintenance – building	5,866	652	6,518	-	2,154
Professional services	49,485	1,920	51,405	42,030	34,980
Public relations	2,543	-	2,543	-	2,800
Audit	-	20,800	20,800	23,000	15,600
Food	738	279	1,017	2,531	2,620
Donations and contributions	750	-	750	-	-
Depreciation	-	75,370	75,370	65,782	45,908
Totals	<u>\$ 646,215</u>	<u>\$ 556,218</u>	<u>\$ 1,202,433</u>	<u>\$ 1,153,820</u>	<u>\$ 1,106,144</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, 2019 and 2018

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

	2019	2018	2017
Program services			
Programming and production	\$ 409,963	\$ 381,980	\$ 372,117
Broadcasting and engineering	154,947	148,366	147,889
Program information and promotion	<u>81,305</u>	<u>72,907</u>	<u>71,476</u>
Subtotal	646,215	603,253	591,482
Support services			
Management and general	<u>556,218</u>	<u>550,567</u>	<u>514,662</u>
Total	<u>\$ 1,202,433</u>	<u>\$ 1,153,820</u>	<u>\$ 1,106,144</u>

Budgetary Highlights

For the fiscal year 2019:

The Nation, in appropriating the fiscal year 2019 budgets, provided a 2.13 % cost of living adjustment on salaries, however, it did not address the pending wage adjustments to market. The expected increase in salaries for certain staff positions of Hewel Ñi'okĩ did not occur. This is in part due to the fact that the Nation's electorate returned the previous Chairman and Vice Chairwoman to office during the general election held in May of 2019. The wage adjustment proposal of the prior administration did not obtain approval from the Nation's Legislative Council for adoption.

The fiscal year 2019 served as the second year that operational funding for low power operations were provided as a separate appropriation. Hewel Ñi'okĩ continues with its assessment of the total operational requirements of its low power stations and related operational expense.

The extended vacancies of several positions impacted on the expenditures for Hewel Ñi'okĩ. While funds were permitted to be re-allocated to address building repairs and equipment upgrades, Hewel Ñi'okĩ did not have adequate time to address these projects.

Hewel Ñi'okĩ did not pursue a budget for the available program revenue as disclosed in the previous 2018 audit. For the fiscal year 2019, Hewel Ñi'okĩ received \$5,425 in program revenues, including the continuing Citizens Clean Elections Commission (\$2,125); Inter Tribal Council of Arizona (\$1,500); and Arizona Department of Gaming (\$1,800).

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2019 and 2018

For the fiscal year 2018:

For fiscal year 2018, the Nation provided separate appropriations for the full power and low power operations under the management of Hewel Ñi'okĩ: \$564,461 for full power operations and \$227,542 for low power operations. In addition, operations are also supported by the Community Service Grant (CSG) awarded from the CPB. At the request of Hewel Ñi'okĩ, the Nation provided additional capital funding of \$71,606 for full power operations and \$42,696 for low power operations.

Program revenue generally consist of paid public service announcement campaigns by nonprofit organizations or for nonprofit purposes and for underwriting support. For fiscal year 2018, Hewel Ñi'okĩ received revenue from the Citizens Clean Elections Commission for a voter education PSA campaign (\$6,800); Ak Chin Indian Community for the Masik Tas celebration PSA campaign (\$1,100); Arizona Conservation Corps for the Arizona Ancestral Lands recruitment PSA campaign (\$320); and Quarles & Brady LLP for Legal Claim deadline notice (\$280). The use of program revenues is restricted to public relations in the form of donations and contributions to individuals and groups. Hewel Ñi'okĩ did not seek budget authority in fiscal 2018 for these revenues.

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 September 30, 2019
		Prior Years	2016	2017	2018	2019	
Prior years	\$ 1,587,480	\$ 1,587,480	\$ -	\$ -	\$ -	\$ -	\$ -
2015	216,212	188,534	27,678	-	-	-	-
2016	215,663	-	201,608	14,055	-	-	-
2017	215,063	-	-	183,317	31,746	-	-
2018	221,212	-	-	-	195,775	25,437	-
2019	234,728	-	-	-	-	202,226	32,502
	<u>\$ 2,690,358</u>	<u>\$ 1,776,014</u>	<u>\$ 229,286</u>	<u>\$ 197,372</u>	<u>\$ 227,521</u>	<u>\$ 227,663</u>	<u>\$ 32,502</u>

Capital Assets

Capital Assets—Hewel Ñi'okĩ's capital assets as of September 30, 2019, amounts to \$766,780 (net of accumulated depreciation), a decrease of \$75,370. Accumulated depreciation through September 30, 2019, on capital assets was \$551,264. More detailed information can be found in the notes to the financial statements.

Hewel N̄i'ok̄i Radio Station
(A Department of the Tohono O'odham Nation)
Management's Discussion and Analysis
For the Years Ended September 30, 2019 and 2018

Economic Factors and Next Year's Budgets

The Nation directed that fiscal year 2020 budgets include a 2.55 % cost of living adjustments for all staff positions and in previous budget formulations, the increased salary and employee benefit expense was included in the base appropriation for Hewel N̄i'ok̄i.

For fiscal year 2020, Hewel N̄i'ok̄i re-aligned certain positions to better staff the operations of its full power and low power stations. A staff position was transferred from the full power studio to the low power operations.

Hewel N̄i'ok̄i also began the process of outsourcing its streaming service to a third party provider and developing a multi-media division targeting the youth. Once operational, these services will require commitment of financial resources currently not funded in Hewel Ni'ok operations.

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
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, 2019

	Operating Fund	Adjustments (Note 6)	Statement of Net Position
Assets			
Current assets			
Due from Nation's general fund	\$ 64,326	\$ -	\$ 64,326
Total current assets	64,326	-	64,326
Capital assets, net	-	766,780	766,780
Total assets	<u>\$ 64,326</u>	<u>\$ 766,780</u>	<u>\$ 831,106</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 11,880	\$ -	\$ 11,880
Accrued expenses	20,733	-	20,733
Unearned revenue	31,713	-	31,713
Total current liabilities	64,326	-	64,326
Accrued compensated absences	-	42,072	42,072
Total liabilities	64,326	42,072	106,398
Fund Balance/Net Position			
<i>Unassigned</i>			
Fund balance	-	-	-
Total liabilities and fund balance	<u>\$ 64,326</u>	<u>42,072</u>	<u>106,398</u>
Net position			
Net investment in capital assets		766,780	766,780
Unrestricted (deficit)		(42,072)	(42,072)
Total net position		<u>\$ 724,708</u>	<u>\$ 724,708</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, 2018

	Operating Fund	Adjustments (Note 6)	Statement of Net Position
Assets			
Current assets			
Due from Nation's general fund	\$ 59,243	\$ -	\$ 59,243
Total current assets	59,243	-	59,243
Capital assets, net	-	842,150	842,150
Total assets	<u>\$ 59,243</u>	<u>\$ 842,150</u>	<u>\$ 901,393</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 17,515	\$ -	\$ 17,515
Accrued expenses	17,080	-	17,080
Unearned revenue	24,648	-	24,648
Total current liabilities	59,243	-	59,243
Accrued compensated absences	-	37,825	37,825
Total liabilities	<u>59,243</u>	<u>37,825</u>	<u>97,068</u>
Fund Balance/Net Position			
<i>Unassigned</i>			
Fund balance	-	-	-
Total liabilities and fund balance	<u>\$ 59,243</u>	<u>37,825</u>	<u>97,068</u>
Net position			
Net investment in capital assets		842,150	842,150
Unrestricted (deficit)		(37,825)	(37,825)
Total net position		<u>\$ 804,325</u>	<u>\$ 804,325</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, 2019

	Operating Fund	Adjustments (Note 6)	Statement of Activities
Revenues			
Operating grants	\$ 227,663	\$ -	\$ 227,663
Indirect administrative support	176,379	-	176,379
Donations/contributions	5,425	-	5,425
Total revenues	<u>409,467</u>	<u>-</u>	<u>409,467</u>
Expenditures/Expenses			
Radio station operations			
Salaries	536,635	4,247	540,882
Fringe benefits	151,259	-	151,259
Nation administrative support	176,379	-	176,379
Utilities and communication	70,273	-	70,273
Miscellaneous expenses	116,065	-	116,065
Professional services	72,205	-	72,205
Depreciation	-	75,370	75,370
Total expenditures/expenses	<u>1,122,816</u>	<u>79,617</u>	<u>1,202,433</u>
Revenues (under) expenditures/expenses before transfers	(713,349)	(79,617)	(792,966)
Transfers from the Nation's general fund	<u>713,349</u>	<u>-</u>	<u>713,349</u>
Revenues and transfers (under) expenditures/expenses	-	(79,617)	(79,617)
Fund balance/net position, beginning of year	<u>-</u>	<u>804,325</u>	<u>804,325</u>
Fund balance/net position, end of year	<u>\$ -</u>	<u>\$ 724,708</u>	<u>\$ 724,708</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, 2018

	Operating Fund	Adjustments (Note 6)	Statement of Activities
Revenues			
Operating grants	\$ 227,521	\$ -	\$ 227,521
Indirect administrative support	170,932	-	170,932
Donations/contributions	8,500	-	8,500
Total revenues	<u>406,953</u>	<u>-</u>	<u>406,953</u>
Expenditures/Expenses			
Radio station operations			
Salaries	548,228	446	548,674
Fringe benefits	156,081	-	156,081
Nation administrative support	170,932	-	170,932
Utilities and communication	69,139	-	69,139
Miscellaneous expenses	78,182	-	78,182
Professional services	65,030	-	65,030
Capital outlay	80,493	(80,493)	-
Depreciation	-	65,782	65,782
Total expenditures/expenses	<u>1,168,085</u>	<u>(14,265)</u>	<u>1,153,820</u>
Revenues (under) expenditures/expenses before transfers and contributions	(761,132)	14,265	(746,867)
Transfers from the Nation's general fund	<u>761,132</u>	<u>-</u>	<u>761,132</u>
Revenues and transfers over expenditures/expenses	-	14,265	14,265
Fund balance/net position, beginning of year	<u>-</u>	<u>790,060</u>	<u>790,060</u>
Fund balance/net position, end of year	<u><u>\$ -</u></u>	<u><u>\$ 804,325</u></u>	<u><u>\$ 804,325</u></u>

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

Hewel N̄i'ok̄i Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2019 and 2018

1) Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

Hewel N̄i'ok̄i is one of several departments of the Nation. The financial statements present only the financial position of Hewel N̄i'ok̄i 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 N̄i'ok̄i 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 N̄i'ok̄i 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, 2019 and 2018

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).

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2019 and 2018

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 financial statements as there is no objective basis available to measure the value of such services. Hewel Ñi'okĩ received approximately 514 donated volunteer hours in 2019 and 676 hours in 2018.

Compensated Absences

Employees of the Hewel Ñi'okĩ 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 Hewel Ñi'okĩ 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.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2019 and 2018

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.
- ♦ *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.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2019 and 2018

New GASB Pronouncements

The GASB has issued several statements which have not yet been implemented by Hewel Ñi'okĩ, but will be implemented by the required implementation date. The statement that may have an impact on Hewel Ñi'okĩ's financial statements is as follows:

GASB Statement No. 87, *Leases*—becomes effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

Hewel Ñi'okĩ has not fully determined the effect that implementation of this new pronouncement will have on the Hewel Ñi'okĩ's financial statements.

2) Capital Assets

Capital asset activity for the year ended September 30, 2019, is summarized as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Adjustments	Ending Balance
<i>Capital assets being depreciated</i>					
Building	\$ 652,120	\$ -	\$ -	\$ -	\$ 652,120
Broadcast equipment	568,828	-	-	-	568,828
Vehicles	97,096	-	-	-	97,096
Total capital assets being depreciated	<u>1,318,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,318,044</u>
Less accumulated depreciation for					
Building	167,667	22,923	-	-	190,590
Broadcast equipment	274,718	39,201	-	-	313,919
Vehicles	33,509	13,246	-	-	46,755
Total accumulated depreciation	<u>475,894</u>	<u>75,370</u>	<u>-</u>	<u>-</u>	<u>551,264</u>
Total capital assets, net	<u>\$ 842,150</u>	<u>\$ (75,370)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 766,780</u>

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2019 and 2018

Capital asset activity for the year ended September 30, 2018, is summarized as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
<i>Capital assets not being depreciated</i>					
Construction in progress	\$ 3,809	\$ -	\$ (3,809)	\$ -	\$ -
Total capital assets not being depreciated	<u>3,809</u>	<u>-</u>	<u>(3,809)</u>	<u>-</u>	<u>-</u>
<i>Capital assets being depreciated</i>					
Building	652,120	-	-	-	652,120
Broadcast equipment	549,265	14,264	3,809	1,490	568,828
Vehicles	<u>30,867</u>	<u>66,229</u>	<u>-</u>	<u>-</u>	<u>97,096</u>
Total capital assets being depreciated	<u>1,232,252</u>	<u>80,493</u>	<u>3,809</u>	<u>1,490</u>	<u>1,318,044</u>
Less accumulated depreciation for					
Building	157,984	9,683	-	-	167,667
Broadcast equipment	219,772	53,456	-	1,490	274,718
Vehicles	<u>30,866</u>	<u>2,643</u>	<u>-</u>	<u>-</u>	<u>33,509</u>
Total accumulated depreciation	<u>408,622</u>	<u>65,782</u>	<u>-</u>	<u>1,490</u>	<u>475,894</u>
Total capital assets, net	<u>\$ 827,439</u>	<u>\$ 14,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 842,150</u>

All depreciation expense is charged to radio station operations.

3) Due from Nation, Transfers, and Capital Contributions

At September 30, 2019 and 2018, the Nation's general fund owed Hewel Ñi'okĩ \$64,326 and \$59,243, respectively, for unexpended Corporation for Public Broadcasting grant funds received on Hewel Ñi'okĩ's behalf and unexpended general fund support. In the years ended September 30, 2019 and 2018, the Nation's general fund transferred \$713,349 and \$761,132, respectively, to Hewel Ñi'okĩ to support radio station operations.

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2019 and 2018

4) Accrued Compensated Absences

The following is a summary of Hewel Ñi'okĩ's accrued compensated absences activity for the year ended September 30, 2019:

Balance September 30, 2018	Increase	Balance September 30, 2019	Amount Due Within One Year
<u>\$ 37,825</u>	<u>\$ 4,247</u>	<u>\$ 42,072</u>	<u>\$ -</u>

The following is a summary of Hewel Ñi'okĩ's accrued compensated absences activity for the year ended September 30, 2018:

Balance September 30, 2017	Increase	Balance September 30, 2018	Amount Due Within One Year
<u>\$ 37,379</u>	<u>\$ 446</u>	<u>\$ 37,825</u>	<u>\$ -</u>

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 Ñi'okĩ 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, 2019 and 2018, the approved negotiated rate applicable to all programs was 19.93%. Hewel Ñi'okĩ 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 \$176,379 and \$170,932 for the years ended September 30, 2019 and 2018, respectively.

Hewel N̄i'ok̄i Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2019 and 2018

6) Reconciling Amounts

At September 30, 2019, 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 \$724,708 because capital assets with a net book value of \$766,780 and accrued compensated absences of \$42,072 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 decrease in net position reported on the statement of activities of \$79,617, by the amount of depreciation expense of \$75,370 and the compensated absence liability increase of \$4,247 for the year.

At September 30, 2018, 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 \$804,325 because capital assets with a net book value of \$842,150 and accrued compensated absences of \$37,825 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 \$14,265, by the amount of depreciation expense of \$65,782, plus the compensated absence liability increase of \$446 and capital outlay in the amount of \$80,493 for the year.

7) Risk Management

Hewel N̄i'ok̄i 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

Hewel Ñi'okĩ Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Financial Statements
September 30, 2019 and 2018

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, 2019 and 2018, contributions to the Plan by the Nation on behalf of Hewel Ñi'okĩ employees totaled \$25,944 and \$23,097, respectively. Hewel Ñi'okĩ employee voluntary contributions for the years ended September 30, 2019 and 2018, totaled \$6,229 and \$9,989, 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, 2019 and 2018, Hewel Ñi'okĩ's utility, communication expense, and lease expense were approximately \$46,307 and \$49,005, respectively.

Hewel Ñi'okĩ's solid waste services are provided by Tohono O'odham Solid Waste. For the years ended September 30, 2019 and 2018, Hewel Ñi'okĩ's solid waste expense was \$2,040 and \$2,027, 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, 2019

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Operating grants	\$ 242,420	\$ 259,373	\$ 227,663	\$ (31,710)
Indirect administrative support	37,307	35,327	176,379	141,052
Donations/contributions	-	-	5,425	5,425
Total revenues	<u>279,727</u>	<u>294,700</u>	<u>409,467</u>	<u>114,767</u>
Expenditures				
Radio station operations				
Salaries	574,264	549,001	536,635	12,366
Fringe benefits	195,659	190,803	151,259	39,544
Nation administrative support	37,307	35,326	176,379	(141,053)
Utilities and communication	87,900	77,595	70,273	7,322
Miscellaneous expenses	119,601	135,542	116,065	19,477
Professional services	<u>57,000</u>	<u>98,437</u>	<u>72,205</u>	<u>26,232</u>
Total expenditures	<u>1,071,731</u>	<u>1,086,704</u>	<u>1,122,816</u>	<u>(36,112)</u>
Revenues (under) expenditures before transfers	(792,004)	(792,004)	(713,349)	78,655
Transfers from the Nation's general fund	-	-	713,349	713,349
Revenues and transfers over (under) expenditures	(792,004)	(792,004)	-	792,004
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ (792,004)</u>	<u>\$ (792,004)</u>	<u>\$ -</u>	<u>\$ 792,004</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Operating grants	\$ 214,640	\$ 252,957	\$ 227,521	\$ (25,436)
Indirect administrative support	31,717	36,493	170,932	134,439
Donations/contributions	-	-	8,500	8,500
Total revenues	<u>246,357</u>	<u>289,450</u>	<u>406,953</u>	<u>117,503</u>
Expenditures				
Radio station operations				
Salaries	546,570	546,570	548,228	(1,658)
Fringe benefits	193,040	188,867	156,081	32,786
Nation administrative support	31,717	36,493	170,932	(134,439)
Utilities and communication	85,020	93,024	69,139	23,885
Miscellaneous expenses	134,752	157,097	78,182	78,915
Capital outlay	95,000	86,114	80,493	5,621
Professional services	63,400	84,424	65,030	19,394
Total expenditures	<u>1,149,499</u>	<u>1,192,589</u>	<u>1,168,085</u>	<u>24,504</u>
Revenues (under) expenditures before transfers	(903,142)	(903,139)	(761,132)	142,007
Transfers from the Nation's general fund	-	-	761,132	761,132
Revenues and transfers over (under) expenditures	(903,142)	(903,139)	-	903,139
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ (903,142)</u>	<u>\$ (903,139)</u>	<u>\$ -</u>	<u>\$ 903,139</u>

See notes to required supplementary information.

Hewel N̄i'ok̄i Radio Station
(A Department of the Tohono O'odham Nation)
Notes to Required Supplementary Information
For the Years Ended September 30, 2019 and 2018

1) Budget Information

The Nation adopts an annual operating budget for Hewel N̄i'ok̄i 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.