



KOJB Radio Station

**(A Public Telecommunications Entity
Licensed to the Leech Lake Band of Ojibwe)**

Financial Report
June 30, 2016 and 2015

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RSM US LLP

Independent Auditor's Report

To the Members of the Reservation Tribal Council
KOJB Radio Station
Cass Lake, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of KOJB Radio Station, an activity of the Leech Lake Band of Ojibwe, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the 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 major fund of KOJB Radio Station as of June 30, 2016 and 2015, 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 present only KOJB Radio Station, an activity of the Leech Lake Band of Ojibwe, and do not purport to, and do not, present the financial statements of the entire organization of the Leech Lake Band of Ojibwe. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KOJB Radio Station's basic financial statements. The combining schedule of revenues, expenditures and changes in fund balance by source of funds, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining schedule of revenues, expenditures and changes in fund balance by source of funds has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of revenues, expenditures and changes in fund balance by source of funds is fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

Duluth, Minnesota
January 12, 2017

**KOJB Radio Station
(A Public Telecommunications Entity Licensed to the Leech Lake Band of Ojibwe)**

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Introduction and Reporting Entity

Management's discussion and analysis (MD&A) is an overview of the financial position and activities of KOJB Radio Station (KOJB). Statements for KOJB Radio Station include all the financial activity of KOJB Radio Station for the years ended June 30, 2016 and 2015.

Management of KOJB has prepared the following discussion. Readers should also review the independent auditor's report along with the financial statements and related footnotes, which follow this section, to enhance their understanding of KOJB Radio Station's performance.

Overview of the Financial Statements

KOJB Radio Station's financial report consists of a series of financial statements and notes to the financial statements. The Governmental Accounting Standards Board (GASB) sets the presentation standards of financial statements and note disclosures for activities of state and local governments.

Activity-wide Statements

The activity-wide financial statements and the fund financial statements are the basic financial statements under the reporting standards of the GASB. Financial information reported in the activity-wide financial statements uses the full-accrual method of accounting. Revenues are recognized when they are earned, and expenditures are recognized when they are incurred.

The activity-wide financial statements present the financial activity of KOJB, an activity of the Leech Lake Band of Ojibwe (the Band). The financial statements of KOJB consist of the following:

- Activity-wide statement of net position and statement of activities
- For the governmental fund, a balance sheet; a statement of revenues, expenditures and changes in fund balance; a reconciliation of the fund balance sheet to the activity-wide statement of net position; and a reconciliation of the fund statement of revenues, expenditures and changes in fund balance to the activity-wide statement of activities

The activity-wide statement of net position includes assets, liabilities and net position as of June 30, 2016. The statement lists capital assets of buildings, improvements and equipment of \$568,146, net of accumulated depreciation. Net position increased during fiscal year 2016 from \$719,858 to \$862,257.

The activity-wide statement of activities lists expenses by function. Revenues are listed by source. If there are grants and contributions not restricted to a specific program or function, those amounts are reflected as general revenues.

**KOJB Radio Station
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**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Operating Fund Statements

Financial data presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance use the modified-accrual method of accounting. Revenues are recognized when they are measurable and available, and expenditures are recognized when they are incurred. However, capital assets of buildings, improvements and equipment are not presented in the balance sheet, and depreciation is not presented in the statement of revenues, expenditures and changes in fund balance.

The operating fund financial statements focus on how money flows in and out of funds and the balances left at year-end that are available for future spending.

Condensed Financial Information

The following table illustrates KOJB's components of net position as of June 30, 2016, 2015 and 2014:

Condensed Statements of Net Position—Governmental Activities

	June 30		
	2016	2015	2014
Current and other assets	\$ 330,903	\$ 404,397	\$ 180,199
Capital assets, net	568,146	611,005	664,306
Total assets	<u>\$ 899,049</u>	<u>\$ 1,015,402</u>	<u>\$ 844,505</u>
Current liabilities	\$ 36,792	\$ 295,544	\$ 76,399
Total liabilities	<u>36,792</u>	<u>295,544</u>	<u>76,399</u>
Net position:			
Net investment in capital assets	568,146	611,005	664,306
Restricted for CPB	182,507	-	-
Unrestricted	111,604	108,853	103,800
Total net position	<u>862,257</u>	<u>719,858</u>	<u>768,106</u>
Total liabilities and net position	<u>\$ 899,049</u>	<u>\$ 1,015,402</u>	<u>\$ 844,505</u>

**KOJB Radio Station
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**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

The following table illustrates the changes in net position for the fiscal years ended June 30, 2016, 2015 and 2014:

Condensed Statements of Activities

	Years Ended June 30		
	2016	2015	2014
Revenues	\$ 114,510	\$ 111,486	\$ 162,841
Operating grants and contributions	499,718	244,003	295,455
Total support and revenues	<u>614,228</u>	<u>355,489</u>	<u>458,296</u>
Programming and production	347,591	365,159	288,399
General and administrative	66,138	69,455	61,491
Public safety	4,799	6,753	14,944
Depreciation	53,301	53,301	53,301
Total expenses	<u>471,829</u>	<u>494,668</u>	<u>418,135</u>
Changes in net position before transfers	142,399	(139,179)	40,161
Other financing sources—appropriation from Band	-	90,931	10,338
Change in net position	<u>142,399</u>	<u>(48,248)</u>	<u>50,499</u>
Net position, beginning of year	719,858	768,106	717,607
Net position, end of year	<u>\$ 862,257</u>	<u>\$ 719,858</u>	<u>\$ 768,106</u>

2016 Financial Highlights

The Corporation for Public Broadcasting (CPB) continued to provide funding to KOJB during 2016 through its grant program. Grants from the State of Minnesota increased during the fiscal year due to additional noncommercial educational radio stations in the state becoming eligible for funding. The state did not increase the monies available to compensate for more stations becoming eligible. Grant money was split evenly among grant-eligible stations. Revenues remained steady as compared to 2015, as KOJB was able to re-sign most of these underwriters for 2016.

Programming expenses decreased as a result of a reduction in consultant and professional fees incurred during 2016 as compared to 2015.

**KOJB Radio Station
(A Public Telecommunications Entity Licensed to the Leech Lake Band of Ojibwe)**

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

2015 Financial Highlights

Grants from the State of Minnesota decreased during the fiscal year due to additional noncommercial educational radio stations in the state becoming eligible for funding. The state did not increase the monies available to compensate for more stations becoming eligible. Grant money was split evenly among grant-eligible stations.

Revenues decreased due to the loss of yearly contract renewals from some of KOJB's biggest underwriters. Midway to late in the fiscal year, KOJB was able to re-sign most of these underwriters. There were also several one-time large underwriters that were working with one-time grants that only contained advertising dollars for the 2015 fiscal year. These grants were not renewed for the 2016 fiscal year. All programming expenses went up due to increases in fees for satellite distribution and programmer provider fees.

The CPB continued to provide funding to KOJB during 2015 through its grant program.

Capital Assets

Capital assets are presented net of depreciation in the financial statements. A reconciliation of fiscal year capital asset activity for the years ended June 30, 2016, 2015 and 2014, is provided below:

	2016	2015	2014
Capital assets purchased	\$ 10,442	\$ -	\$ -
Less depreciation expense	(53,301)	(53,301)	(53,301)
	<u>\$ (42,859)</u>	<u>\$ (53,301)</u>	<u>\$ (53,301)</u>

Request for Information

This financial report is designed to provide donors, members, investment managers, foundations and taxpayers with a general overview of KOJB Radio Station'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. Additional details can be requested by mail at the following address:

KOJB Radio Station
190 Sailstar Drive NW
Cass Lake, MN 56633

or by email at businessmanager@kojb.org

KOJB Radio Station
(A Public Telecommunications Entity Licensed to the Leech Lake Band of Ojibwe)

Governmental Fund Balance Sheets and Statements of Net Position
June 30, 2016 and 2015

	2016		
	Governmental Fund Balance Sheet	Adjustments	Activity-wide Statement of Net Position
Assets			
Cash	\$ 160,817	\$ -	\$ 160,817
Receivables	167,086	-	167,086
Prepaid lease	3,000	-	3,000
Capital assets, net	-	568,146	568,146
Total assets	\$ 330,903	\$ 568,146	\$ 899,049
Liabilities			
Liabilities:			
Accounts payable	\$ 24,481	\$ -	\$ 24,481
Accrued salary and benefits	10,322	-	10,322
Due to the Band	1,989	-	1,989
Unearned revenue	-	-	-
Total liabilities	36,792	\$ -	\$ 36,792
Fund Balance/Net Position			
Fund balance:			
Nonspendable	3,000		
Restricted for CPB grants	182,507		
Unassigned	108,604		
Total fund balance	294,111		
Total liabilities and fund balance	\$ 330,903		
Net position:			
Net investment in capital assets		\$ 568,146	\$ 568,146
Restricted for CPB		-	182,507
Unrestricted		-	111,604
Total net position		\$ 568,146	\$ 862,257

See notes to financial statements.

2015

Governmental Fund Balance Sheet	Adjustments	Activity-wide Statement of Net Position
\$ 278,452	\$ -	\$ 278,452
122,945	-	122,945
3,000	-	3,000
-	611,005	611,005
<u>\$ 404,397</u>	<u>\$ 611,005</u>	<u>\$ 1,015,402</u>

\$ 8,189	\$ -	\$ 8,189
19,383	-	19,383
58,307	-	58,307
209,665	-	209,665
<u>295,544</u>	<u>\$ -</u>	<u>\$ 295,544</u>

3,000
-
<u>105,853</u>
<u>108,853</u>
<u>\$ 404,397</u>

\$ 611,005	\$ 611,005
-	-
-	108,853
<u>\$ 611,005</u>	<u>\$ 719,858</u>

KOJB Radio Station
(A Public Telecommunications Entity Licensed to the Leech Lake Band of Ojibwe)

**Governmental Fund Statements of Revenues, Expenditures and Changes in Fund Balance and
Statements of Activities**
Years Ended June 30, 2016 and 2015

	2016		
	Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Activity-wide Statement of Activities
Support and revenues:			
Support:			
State grants	\$ 149,391	\$ -	\$ 149,391
Other grants	350,327	-	350,327
Revenues:			
Underwriting	76,578	-	76,578
Tower rental	37,932	-	37,932
Total support and revenues	614,228	-	614,228
Expenditures/expenses:			
Program services:			
Programming and production	347,591	-	347,591
Total program services	347,591	-	347,591
Support services:			
General and administrative	66,138	-	66,138
Public safety	4,799	-	4,799
Total support services	70,937	-	70,937
Capital outlay/depreciation	10,442	42,859	53,301
Total expenditures/expenses	428,970	42,859	471,829
Excess (deficiency) of support and revenues over expenditures/expenses	185,258	(42,859)	142,399
Other financing sources—appropriation from Band	-	-	-
Change in fund balance/net position	185,258	(42,859)	142,399
Fund balance/net position, beginning of year	108,853	611,005	719,858
Fund balance/net position, end of year	\$ 294,111	\$ 568,146	\$ 862,257

See notes to financial statements.

2015

Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance			Adjustments	Activity-wide Statement of Activities
\$	142,266	\$	-	\$ 142,266
	101,737		-	101,737
	73,806		-	73,806
	37,680		-	37,680
	355,489		-	355,489
	365,159		-	365,159
	365,159		-	365,159
	69,455		-	69,455
	6,753		-	6,753
	76,208		-	76,208
	-		53,301	53,301
	441,367		53,301	494,668
	(85,878)		(53,301)	(139,179)
	90,931		-	90,931
	5,053		(53,301)	(48,248)
	103,800		664,306	768,106
\$	108,853	\$	611,005	\$ 719,858

**KOJB Radio Station
(A Public Telecommunications Entity Licensed to the Leech Lake Band of Ojibwe)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting entity: KOJB Radio Station (KOJB) is a public telecommunications entity licensed to the Leech Lake Band of Ojibwe (the Band). KOJB's primary functions are to promote, establish and provide public broadcasting and other noncommercial educational telecommunications services. These financial statements present only KOJB Radio Station, an activity of the Band, and do not purport to, and do not, present the financial statements of the entire organization of the Band. KOJB is accounted for within the Band's General Fund.

Basis of presentation: The financial statements of KOJB have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The financial report includes two separate sets of statements, the activity-wide financial statements and the fund financial statements.

Measurement focus and basis of accounting: "Measurement focus" refers to the kinds of transactions that are recognized within the various financial statements. In the activity-wide statements, KOJB uses an "economic resources" measurement focus. The reporting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Activity-wide equity is classified as net position. In the governmental fund statements, the focus is on sources, uses and balances of current financial resources.

"Basis of accounting" refers to when transactions are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements regardless of the measurements made, regardless of the measurement focus applied. KOJB uses the following as its basis of accounting:

1. **Accrual basis**—Governmental-type activities are presented in the activity-wide financial statements on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.
2. **Modified accrual basis**—In the governmental fund financial statements, the activities are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined, and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year period is used for recognition for all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred and due.

The measurement focus, basis of accounting and basis of presentation differ between the activity-wide financial statements and the fund financial statements. As an activity engaged in a single governmental program, the activity-wide statements and the fund financial statements have been combined in one statement. An adjustments column reflects the following differences between the two types of statements:

- Governmental funds report capital outlays as expenditures. Capital assets are reported in the statement of net position at historical cost, and in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Receivables: Receivables arise mainly from unreimbursed grant expenditures and from underwriting purchased by third parties in the ordinary course of business. Receivables are stated net of allowances for uncollectible accounts. There were no uncollectible accounts as of June 30, 2016 and 2015.

**KOJB Radio Station
(A Public Telecommunications Entity Licensed to the Leech Lake Band of Ojibwe)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: KOJB records buildings, improvements and equipment with an initial, individual cost of more than \$5,000 and an estimated life of two or more years. Such assets are recorded at historical cost. Donated assets are recorded at estimated fair value at the date of receipt. KOJB uses the straight-line method to calculate depreciation over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	40
Towers and transmission equipment	20
Equipment	5

Unearned revenue: Unearned revenue is recorded when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by KOJB before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when KOJB has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

Compensated absences: Certain hourly employees do not receive vacation leave. For other employees, vacation leave is earned at rates dependent on the length of employment and can be accumulated to a specified maximum number of days. Employees of KOJB are considered employees of the Band for purposes of determining benefits, and the ultimate liability for payment of these benefits remains with the Band. The Band does not determine the liability for the individual activities within the Band's funds.

Fund balances: In the fund financial statements, fund balances classified as restricted are amounts that are restricted to specific purposes that are externally imposed by grantors, contributors, or laws or regulations of other governments. Committed fund balances are amounts that can only be used for specific purposes with constraints imposed by formal action of the Band's Reservation Business Committee. Assigned fund balances are amounts that are constrained by the Band's intent to be used for specific purposes, but are neither restricted nor committed as determined by management based on the Band's Reservation Business Committee direction. Nonspendable fund balances consist of balances that are either not in spendable form or are legally or contractually required to be maintained intact. It is KOJB's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net position: In the statement of net position, net position includes the following:

Net investment in capital assets: This is the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets. At June 30, 2016, there is no related debt.

Restricted net position: Restricted net position is the component of net position that reports the constraints placed on the use of net position by either external parties and/or enabling legislation. Unspent grants awards received from the Corporation for Public Broadcasting (CPB) are reflected as restricted net position. At June 30, 2016 and 2015, there was \$182,507 and \$-0-, respectively, of restricted net position.

**KOJB Radio Station
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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Unrestricted net position: Unrestricted net position is the difference between the assets and liabilities that is not reported in net investment in capital assets and restricted assets.

It is KOJB's policy to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

Support: A one-year availability period is used for revenue recognition for all governmental fund revenue. In determining when to recognize grant revenue, the legal and contractual requirements of the individual grant programs are used as guidance. There are, however, essentially two bases for this revenue recognition. In one, amounts must be expended on the specific purpose or project before any amounts will be paid to KOJB; therefore, revenues are recognized based upon the expenditures recorded. In the other, amounts are virtually unrestricted and revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability.

Revenues: KOJB reports as revenues all revenues that derive directly from the program activities themselves, including underwriting revenues, as well as operating and capital grants and contributions that are restricted for particular uses or for capital purposes. Underwriting revenues are contributions given to KOJB primarily to finance specific programming or activities.

Other financing sources: Band appropriations are recorded as transfers in the statement of activities and the statement of revenues, expenditures and changes in fund balance when received from the Band.

Corporation for Public Broadcasting Community Service Grants: The Corporation for Public Broadcasting is a private, not-for-profit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, recordkeeping, audits, financial reporting, mailing lists and licensee status with the Federal Communications Commission.

For the years ended June 30, 2016 and 2015, KOJB recognized support revenue of \$350,327 and \$101,737, respectively, from its Community Service Grant from the Corporation for Public Broadcasting.

General and administrative support: Indirect support from the Band consists of allocated institutional support provided by various other divisions of the Band from which KOJB receives benefits. The fair value of this support is recognized in the statement of activities as general and administrative support. For the years ended June 30, 2016 and 2015, indirect support was calculated using the Leech Lake Band of Ojibwe's indirect cost rate.

**KOJB Radio Station
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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Operating leases: KOJB leases tower space for a transmitting antenna from a third party under a lease agreement. The lease is accounted for as an operating lease with a term of five years, with an additional renewal option.

Reclassifications: Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no impact on the changes in net position as previously reported.

Use of estimates: The preparation of the accompanying 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Receivables

Receivables consisted of the following at June 30, 2016 and 2015:

	2016	2015
Underwriting	\$ 21,849	\$ 28,460
Grants	145,237	94,485
	<u>\$ 167,086</u>	<u>\$ 122,945</u>

Note 3. Deposits

KOJB's deposits are pooled with the Band's deposits. The Band's treasury is responsible for the treasury function of all the Band's deposits and investments held by its funds. Detailed information about the Band's deposits with financial institutions and management of investment risk can be obtained directly from the Band's 2016 financial statements. The Band's bank balances at June 30, 2016 and 2015, are either entirely insured or collateralized with securities.

**KOJB Radio Station
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Notes to Financial Statements

Note 4. Capital Assets

A summary of changes in capital assets for the years ended June 30, 2016 and 2015, is as follows:

	June 30, 2015			June 30, 2016
	Beginning Balance	Additions	Reductions	Ending Balance
Buildings and building improvements	\$ 445,664	\$ -	\$ -	\$ 445,664
Tower transmission equipment	185,660	-	-	185,660
Equipment	164,381	10,442	-	174,823
Total	795,705	10,442	-	806,147
Less accumulated depreciation:				
Buildings and building improvements	(41,782)	(11,142)	-	(52,924)
Tower transmission equipment	(34,811)	(9,283)	-	(44,094)
Equipment	(108,107)	(32,876)	-	(140,983)
Total	(184,700)	(53,301)	-	(238,001)
Capital assets, net	\$ 611,005	\$ (42,859)	\$ -	\$ 568,146
	June 30, 2014			June 30, 2015
	Beginning Balance	Additions	Reductions	Ending Balance
Buildings and building improvements	\$ 445,664	\$ -	\$ -	\$ 445,664
Tower transmission equipment	185,660	-	-	185,660
Equipment	164,381	-	-	164,381
Total	795,705	-	-	795,705
Less accumulated depreciation:				
Buildings and building improvements	(30,640)	(11,142)	-	(41,782)
Tower transmission equipment	(25,528)	(9,283)	-	(34,811)
Equipment	(75,231)	(32,876)	-	(108,107)
Total	(131,399)	(53,301)	-	(184,700)
Capital assets, net	\$ 664,306	\$ (53,301)	\$ -	\$ 611,005

**KOJB Radio Station
(A Public Telecommunications Entity Licensed to the Leech Lake Band of Ojibwe)**

Notes to Financial Statements

Note 5. Band Appropriations, Interfund Transfers and Related-Party Transactions

Band appropriations and transfers are shown as other financing sources or uses. Band appropriations are provided to KOJB through budgetary authorizations of the Band. Funds transferred from the Band to help cover the operating costs of KOJB during the years ended June 30, 2016 and 2015, were as follows:

	2016	2015
Band appropriations to KOJB	\$ -	\$ 90,931

KOJB uses towers that are owned by the Band. The Band allows KOJB to recognize tower rental revenues, which were \$37,932 and \$37,680 for the years ended June 30, 2016 and 2015, respectively.

KOJB recognized underwriting and tower rental revenue from certain related parties for the years ended June 30, 2016 and 2015, as follows:

	2016	2015
Leech Lake Casinos	\$ 31,656	\$ 20,386
Leech Lake Tribal College, Inc.	6,579	7,723
Leech Lake Band of Ojibwe	26,079	62,952
	158	-
	<u>\$ 64,472</u>	<u>\$ 91,061</u>

Note 6. Pension Plan Administered by the Public Employees Retirement Board

Through the Leech Lake Band of Ojibwe, KOJB participates in the Band's 401(k) defined contribution plan that covers substantially all Band employees. Full-time employees are eligible to participate in the plan after six months of employment. The Band contributes 4 percent of gross annual wages to the plan for each employee. Employees may also make a tax-deferred contribution up to 15 percent of gross annual wages. Employees become 20 percent vested in the employer contributions after two years of service, 40 percent vested after three years of service, and fully vested after completion of four years of service. Contributions of \$8,239 and \$8,210, respectively, were made on eligible salaries of \$205,976 and \$205,250, respectively, for the years ended June 30, 2016 and 2015.

Note 7. Nonfederal Financial Support (NFFS)

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) The source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio programming and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

**KOJB Radio Station
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Notes to Financial Statements

Note 7. Nonfederal Financial Support (NFFS) (Continued)

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) The source must be a state, any agency or political subdivision of a state, an educational institution or organization, or a not-for-profit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for KOJB was \$225,969 and \$307,003, respectively, for the years ended June 30, 2016 and 2015.

Note 8. Risk Management

KOJB participates in the following Leech Lake Band of Ojibwe insurance programs:

Property and liability insurances: The Band is 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Self-insurance programs: The Leech Lake Reservation Tribal Council established the self-insurance programs for medical benefits, workers’ compensation and unemployment insurance, which are administered by the Council.

Note 9. Lease

KOJB leases tower space for a transmitting antenna from a third party under a lease agreement. The lease is accounted for as an operating lease with a term of five years, with an additional renewal option. Total costs for the lease was \$3,000 for the year ended June 30, 2016. The future minimum lease payments for this lease are as follows:

Years ending June 30:	
2017	\$ 3,000
2018	3,000
2019	3,000
	<u>\$ 9,000</u>

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Combining Schedule of Revenues, Expenditures and Changes in Fund Balance by Source of Funds
Year Ended June 30, 2016

	Restricted CPB	Unrestricted CPB	Non-CPB Sources	Total
Support and revenues:				
Support:				
State grants	\$ -	\$ -	\$ 149,391	\$ 149,391
Other grants	69,400	280,927	-	350,327
Revenues:				
Underwriting	-	-	76,578	76,578
Tower rental	-	-	37,932	37,932
Total support and revenues	69,400	280,927	263,901	614,228
Expenditures/expenses:				
Program services:				
Programming and production	33,245	134,575	179,771	347,591
Total program services	33,245	134,575	179,771	347,591
Support services:				
General and administrative	6,482	26,237	33,419	66,138
Public safety	-	-	4,799	4,799
Total support services	6,482	26,237	38,218	70,937
Capital outlay	-	-	10,442	10,442
Total expenditures	39,727	160,812	228,431	428,970
Excess of support and revenues over expenditures before other other financing sources	29,673	120,115	35,470	185,258
Other financing sources—interprogram transfers	6,482	26,237	(32,719)	-
Total other financing sources	6,482	26,237	(32,719)	-
Change in fund balance	\$ 36,155	\$ 146,352	\$ 2,751	\$ 185,258

