



CHEROKEE NATION™
Businesses

Executive and Finance Report
Consolidated Financial Information
December 2014

Cherokee Nation Businesses

Executive and Finance Report

December 2014

Budget Highlights

- December 2014 CNB consolidated net income of \$10.0 million was \$4.4 million above budget and \$4.2 million higher than prior year.
- CNE EBITDA of \$16.0 million was \$3.3 million above budget. Higher revenue of \$4.4 million drove the favorable variance and was driven by primarily gaming revenue at all properties with the exception of Sallisaw. Food and beverage at the Hard Rock and West Siloam Springs properties as well as retail revenue also contributed to the positive variance.
- Technology Portfolio EBITDA of \$1.2 million was \$569,000 above budget. December revenue was favorable to budget by \$2.6 million. The positive variances in both revenue and EBITDA at the Technology Portfolio are primarily due to the start of new contracts that were won in late FY14.
- CNI EBITDA was \$593,000 favorable to budget due to higher than anticipated profitability in the Manufacturing segment. Total revenue of \$3.4 million was \$445,000 above budget, which was the result of positive variances in the Manufacturing and Distribution segments.
- The CNB Parent Company EBITDA was \$315,000 unfavorable to budget, which was driven by higher employee costs related to higher medical benefit expense.
- Construction Services EBITDA of \$332,000 was favorable to budget as a result of higher revenue at CN3S. The positive variance was due to higher than anticipated activity from government related jobs in December.
- Combined, EBITDA at all other entities were \$125,000 above budget.

Capital Expenditures

December YTD capital expenditures were \$25.3 million for all entities.

- CNE: \$16.7 million
 - Expansion: \$12.8 million – Roland and South Coffeyville properties and South Coffeyville road improvements
 - Strategic: \$2.3 million – Cherokee Tower Renovation, Catoosa Access Control, and WRD Surveillance System
 - Maintenance - \$1.7 million
- CPM: \$7.7 million – Health clinic construction / expansion
- CNB: \$637,000 – IT Maintenance
- CNCS: \$93,000 – Purchase new vehicles
- CNSD: \$82,000 – Purchase new vehicles

Financing

- CNB has no outstanding borrowings as of December 31, 2014.

Cherokee Nation Entertainment

Executive and Finance Report

December 2014

Budget Highlights

CNE

thousands (000's)

	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$49,698	\$45,280	\$4,418	10%
• Operating Expenses	Month -	\$33,693	\$32,536	(\$1,157)	4%
• EBITDA	Month -	\$16,005	\$12,744	\$3,261	26%

Operating Highlights

- CNE EBITDA of \$16.0 million in December was \$3.3 million favorable to budget.
- Total revenue of \$49.7 million was \$4.4 million above budget due primarily to higher than anticipated gaming activity across all properties with the exception of Sallisaw. Retail sales and food and beverage revenue at the West Siloam Springs and Hard Rock properties also contributed to the favorable variance.
- Total operating expense of \$33.7 million was \$1.2 million unfavorable to budget. The primary driver was higher costs of goods sold and gaming costs associated with higher revenue.
- Groundbreaking for the South Coffeyville casino took place on August 27th. The 17,000 square foot facility will offer 300 games. The target date to open the casino is February 16, 2015.
- CNB has agreed to lease property adjacent to the Hard Rock Casino to Woodmont Outlets, which plans to invest \$80 million into premium outlet shops to be called "Cherokee Outlets." The Outlets, along with a new Entertainment area, called "The District," is expected to be completed in 2016.
- CNB also announced plans for the Cherokee Springs Plaza, which will include retail, restaurants, auto sales lots, office space, convention space, two hotels, and a casino adjacent to the Cherokee Springs golf course in Tahlequah.
- Groundbreaking for the Roland property took place on April 29, 2014 for a new casino and hotel. The target date to open the casino is May 19, 2015, with the hotel scheduled to open later in the year.
- The Catoosa property has completed the renovation of the Cherokee hotel tower, which began on June 1st.
- The Creek casino in Tulsa is planning a \$335 million expansion including a 500 room hotel tower, new casino and restaurant, pool bar, theater and event center, with an expected completion date of 2016.

Capital Expenditure Highlights – Year to Date

- Expansion related costs for Tahlequah, South Coffeyville, and Roland – \$12.6 million
- Cherokee Tower Renovation - \$1.3 million
- Catoosa Access Control – \$352,000
- WRD Surveillance System - \$264,000
- WSS Water Tower - \$156,000

Cherokee Nation Industries

Executive and Finance Report

December 2014

Budget Highlights

CNI

thousands (000's)

	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$3,428	\$2,983	\$445	15%
• Operating Expenses	Month -	\$4,082	\$4,230	\$148	-4%
• EBITDA	Month -	(\$654)	(\$1,247)	\$593	48%

Operating Highlights

- EBITDA loss of \$654,000 was \$593,000 favorable to budget. The positive variance was primarily due to higher than anticipated profitability in the Manufacturing segment of \$421,000 associated with higher revenue and improved gross margins.
- CNI's revenue totaled \$3.4 million, which was \$445,000 above budget. This was driven by higher than budgeted revenue in the Manufacturing segment of \$284,000 due to Boeing and Bell and \$116,000 positive variance in the Distribution segment due to AT&T.
- Total operating expenses of \$4.1 million were \$148,000 lower than budget, primarily driven by lower employee costs due to several open positions and relocation of TRG employees.

Technology Portfolio

Executive and Finance Report

December 2014

Budget Highlights

Tech

thousands (000's)

	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$12,555	\$9,921	\$2,635	27%
• Operating Expenses	Month -	\$11,310	\$9,244	(\$2,066)	22%
• EBITDA	Month -	\$1,245	\$676	\$569	84%

Operating Highlights

- The IT Portfolio generated revenue of \$12.6 million compared to a budget of \$9.9 million.
- December EBITDA was \$1.2 million compared to a budgeted EBITDA of \$676,000. The positive variance to budget was the result of higher than expected sales-based contract wins late in FY14 and increased activity on higher profit margin contracts.
- CSG and CNT revenue of \$3.8 million was favorable to a budget by \$1.2 million and exceeded prior year by \$1.1 million. The positive budget variance was due to the start of the NOAA IT project.
- CNGS, CNTS, and CNMC revenue was \$8.3 million in December. Revenue was favorable to budget as well as prior year by \$1.3 million.
- Cherokee Nation Assurance (CNA) revenue of \$397,000 was favorable to budget by \$73,000. The favorable variance to budget was attributable to the start of new contracts won at the end of FY14.

Other Diversified Businesses

Executive and Finance Report

December 2014

EBITDA Budget Highlights

Other Diversified

	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
• CNSD	Month -	\$107	\$49	\$58
• Construction	Month -	\$332	\$65	\$267
• CMS / CNHS	Month -	\$49	(\$7)	\$57
• Aerospace Products S.E.*	Month -	\$13	\$86	(\$73)
• CCRC*	Month -	\$42	\$0	\$42

APSE and CCRC are reported on net income instead of EBITDA as they are partially owned subsidiaries

Operating Highlights

- **CNSD** EBITDA of \$107,000 was \$58,000 favorable to budget. The favorable variance to budget was due to increased profitability on the TSA, Edgewood and SAMD contracts.
- **Construction** EBITDA was \$267,000 favorable to budget. This was primarily due to the favorable performance of CNCS which was a result of higher than anticipated profitability on the Central Commons and Parking project which is nearing completion.
- **CMS / CNHS** resulted in an EBITDA of \$49,000 which was favorable to budget by \$57,000. The favorable budget variance was due to the end of specific Navy contracts with lower profit margins.
- **APSE** net income of \$13,000 was \$73,000 below budget. This was driven by lower than expected revenue of \$521,000. This was due to \$806,000 of unrealized revenue that will be recognized in January due to issues with a key supplier.
- **CCRC** net income of \$42,000 was favorable to a budgeted breakeven. The primary driver for the positive variance was increased profitability on the Picatinny job.

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Group: Financial Resources

Month/Year of Report: January 2015

Treasurer: Lacey Horn

Phone: 207-3902

E-mail: lacey-horn@cherokee.org

- I. Budget Highlights – through December
 - a.) Financial Resources – 22% spent
 - b.) Treasurer – 17% spent
 - c.) IIM – 32% spent
 - d.) Acquisition Management – 25% spent
 - e.) Records Management – 24% spent
 - f.) Support Services – 26% spent
 - g.) Employee Performance Incentive – 23% spent
- II. Program Highlights
 - a.) Balance Scorecard Measures
 1. Complete FY14 Audit – 0% Complete
 2. Obtain Unqualified Audit Opinion – 0% complete
 3. No Material Weaknesses on Single Audit – 0% complete
 4. Obtain GFOA Award for FY13 CAFR – 100% complete
 5. Reports completed & submitted by due dates – 100% complete for reports due by 1/31/2015
 - b.) Accomplishments
 1. SAS Audit completed
 2. Staff participated in NAFOA OMB Super Circular: Part 2 - Indirect cost Rates: Why it matters to Tribal Governments
 3. Staff participated in teleconference training: FY2015 Tribal Historic Preservation Office Historic Preservation Fund Grant
 4. Staff attended GSA Fleet Management Training in Washington, DC
 5. Staff attended Self-Governance Strategy Session and Advisory Committee meetings in Washington, DC
 - c.) Upcoming Events
 1. FY 2014 Financial Audit and Single Audit underway

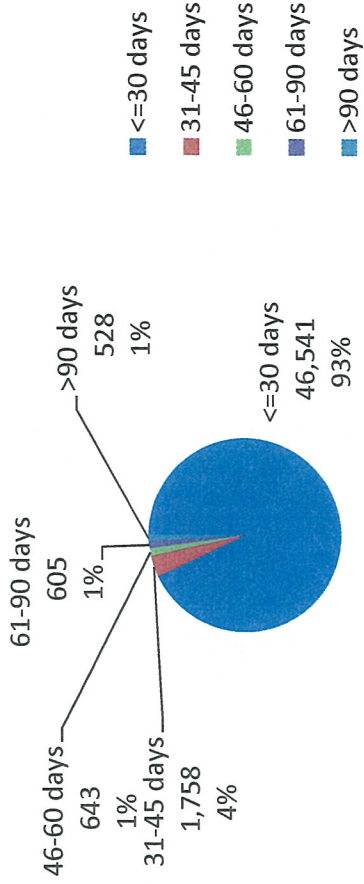
COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Cherokee Nation Acquisition Management Year-To-Date Report Over \$5,000 Transactions October 1, 2014 through September 30, 2015		% of sub-total TERO vendor submitted Bid
Award to TERO Vendor	\$ 6,955,625.99	90.68%
Award to non-TERO Vendor	\$ 715,027.67	9.32%
Sub-total bids with a TERO vendor participating	\$ 7,670,653.66	100.0%
Bid - no bids submitted by TERO Vendors	\$ 1,027,776.15	
October 1, 2014 through December 31, 2014		

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

October 1, 2014 - December 31, 2014		
Row Labels	APP INVOICE 2	APP TRAN PMT AMT 6
<=30 days	46,541	60,911,671.34
31-45 days	1,758	6,696,170.34
46-60 days	643	1,557,825.18
61-90 days	605	2,578,140.08
>90 days	528	831,791.53
Grand Total	50,075	72,575,598.47

Invoice Payment Comparison



Group: Career Services- Executive and Finance **Month/Year of Report:** January, 2015

Executive Director: Diane Kelley **Phone:** 453-5628 **Email:** dkelley@cherokee.org

I. Budget Highlights – Please refer to Monthly Financial Report

None

II. Program Highlights

a. Balanced Scorecard Measures

	<i>December</i>	<i>YTD</i>	<i>Goal</i>	<i>% of Goal</i>
<i>GED Completions</i> – includes individuals completing and receiving a GED or High School Diploma from Talking Leaves Job Corps and Career Literacy.	3	29	250	11.6%
<i>Training Completions</i> – includes individuals receiving a nationally-recognized certification, credential, or degree while enrolled in one of 11 different vocational training programs.	41	124	450	27.6%
<i>Employment Completions</i> – includes individuals who completed a Work Experience or TERO OJT assignment.	6	60	300	20.0%
<i>Unsubsidized Placement</i> – includes all individuals who entered unsubsidized employment (they got a job!) while enrolled in one of 15 different programs, both employment and vocational.	59	241	500	48.2%
<i>Retention</i> – includes individuals who were retained in their unsubsidized employment through assistance from a Career Services Program.	25	84	200	42.0%
<i>Job Readiness Training</i> – includes individuals who completed the Life/Employment Skills Training.	64	174	250	69.6%
<i>WorkKey Credentialing</i> – includes individuals who received a bronze, silver, gold, or platinum WorkKeys credential.	30	73	500	14.6%
<i>Job Bank</i> – includes the number of new individuals entering the TERO Job Bank.	32	107	500	21.4%
<i>Indian Owned Businesses</i> – includes the number of businesses newly certified as an Indian Owned Business.	13	40	100	40.0%

<i>Job Fairs</i> – includes the number of Job Fairs held by Career Services.	0	11	15	73.3%
<i>Community Service Projects</i> – this is the number of Community Service Projects completed by youth, both through the Summer Youth Employment Program and Talking Leaves Job Corps.	5	17	50	34.0%

b. Accomplishments

1. The GED teachers are going out in the communities doing outreach activities to raise awareness of our Adult Education Program.
2. Talking Leaves Job Corps was named a Gold Star Center by the National Job Corps Association for 2014. This will be the third year in a row.
3. One of our Vocational Training participants went from a seasonal part-time job where he worked only 20+ hours per week to a full-time position earning \$16.00 per hour.
4. Although the next participant has not completed CDL training, we wanted to mention him in this report. William is a learning disabled citizen who came into our office determined to change his life in order to provide for his family. He enrolled in CDL training last year, but failed his final test. William worked through the Holidays studying, determined to pass. He successfully passed the test and is now training with Central Tech! William could have been content to continue drawing social security disability but he is working hard to better himself and support his family!

c. Initiatives

1. Staff are preparing for the new Spring semester that begins in January.
2. Talking Leaves Job Corps continues Work Based Learning Partnership with Congressman Markwayne Mullins' office in Muskogee Oklahoma.
3. The first of four JD-NEG Fast track Apprenticeship trainings is scheduled for Tahlequah and will begin Feb 24th.

Commerce Group

Securing and enhancing the financial well-being of the Cherokee people, businesses and communities

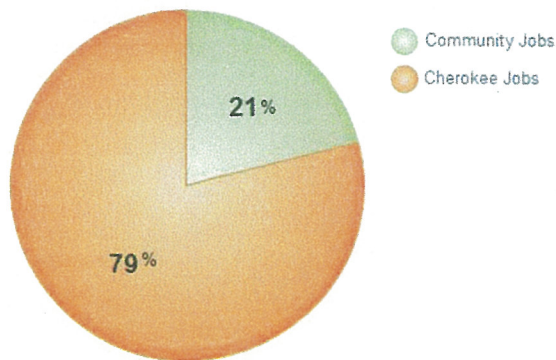
Anna Knight, Executive Director
 918-453-5532
 anna-knight@cherokee.org

Economic Impact

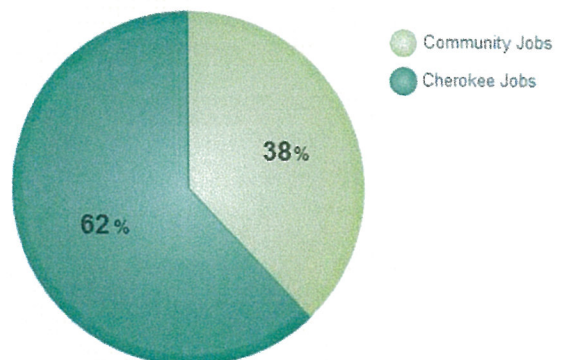
Jobs Created or Retained in Local Communities

Private sector jobs created or retained through small business lending

Community Jobs Created or Retained
 Five Year Period 2010-2015 - 716 Total Jobs

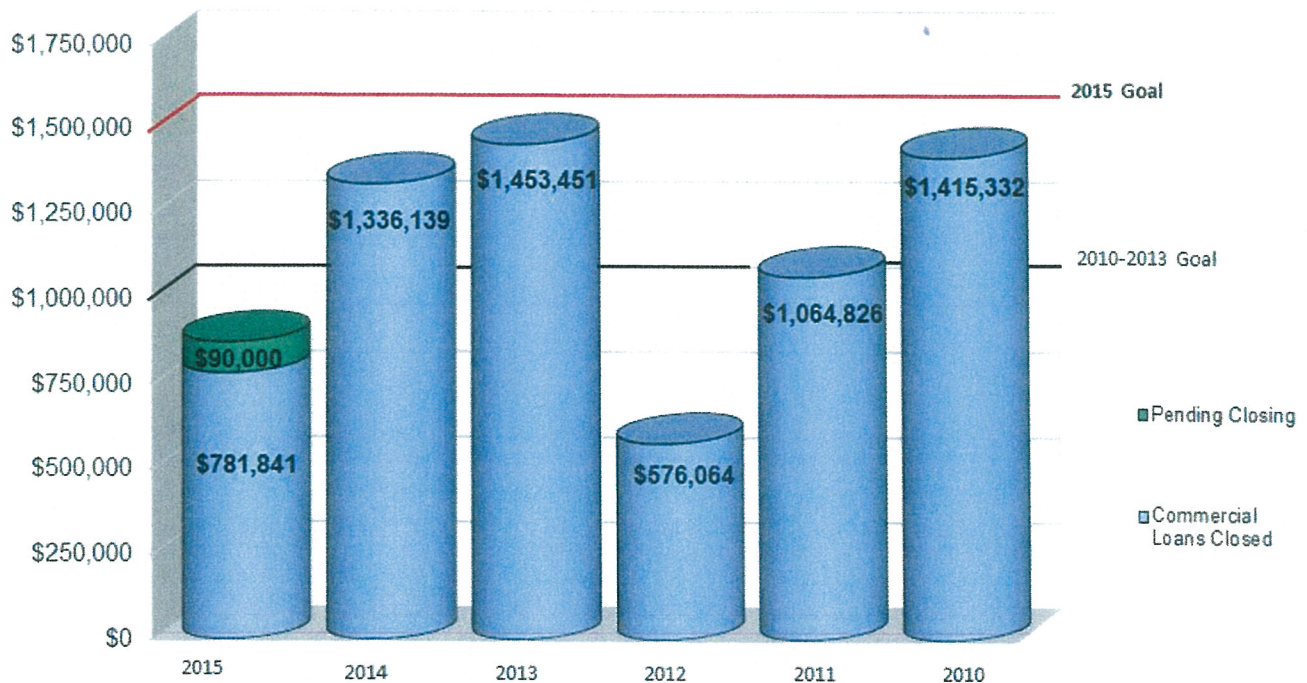


Community Jobs Created or Retained
 Current Year to Date - 76 Total Jobs



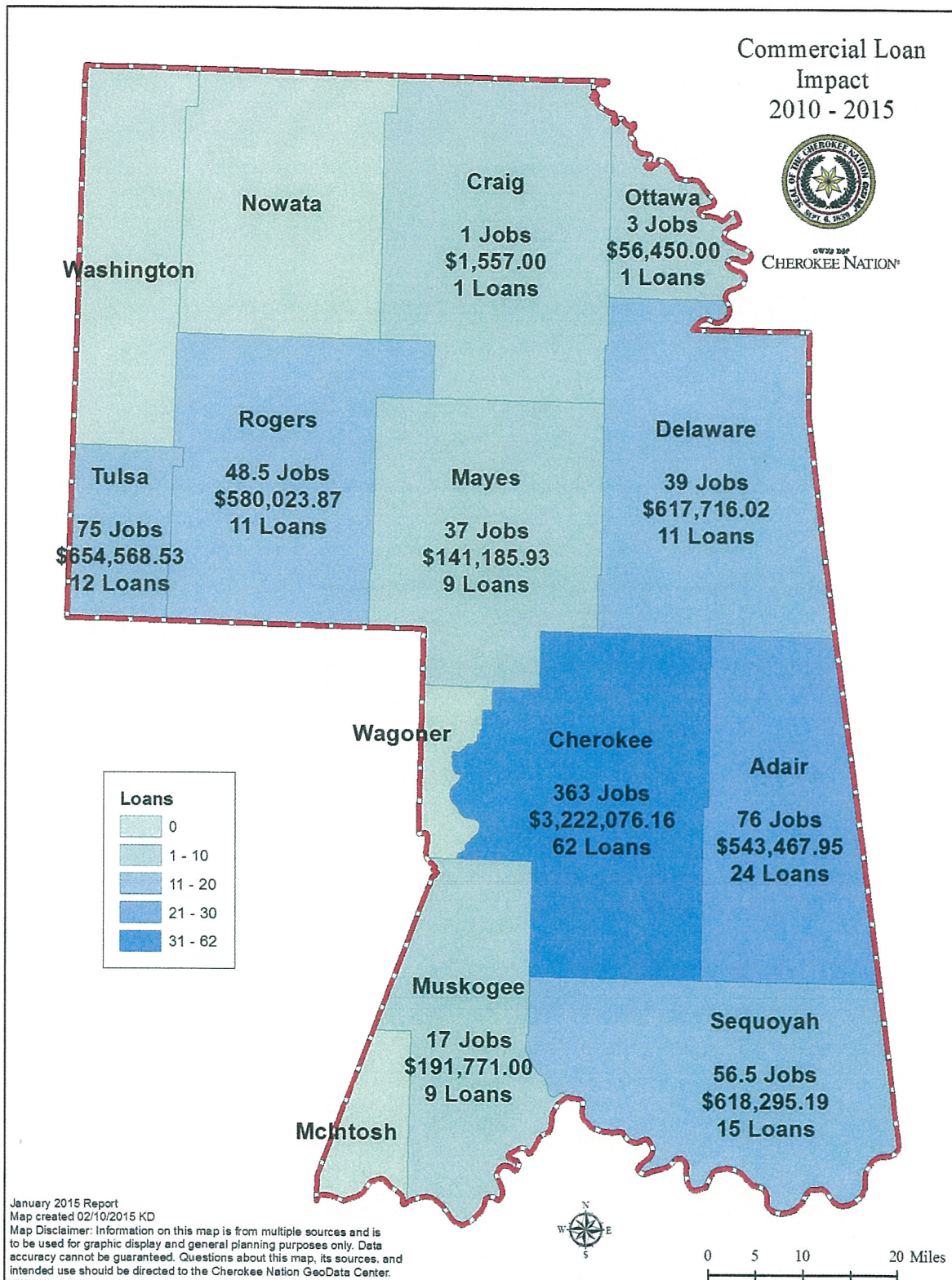
Economic Investment in Local Communities

Business loans made for startup or expanding businesses



Commercial Lending Impact, by County, 2010 through January 2014

This map will be reported by district in the next two months.



**Map will be broken in to districts on a quarterly basis

Commercial Collateral loans closed January 2015

Community	Loan Purpose	Project Costs	Loan Amount	Collateral Discounted Value	Owner Equity	Jobs
Tulsa	Business Startup	\$275,000	\$175,000	2 nd Personal Residence, UCC=\$224,243	36%	12
Fort Gibson	Inventory	\$6,130	\$6,000	UCC Equipment=\$7,550	100%	2
Hulbert	Business Expansion	\$8,000	\$8,000	1992 Dump Truck=\$15,000	50%	2

Available Lending Capital

(Loans pending approval and/or closing are not included in totals)

▪ IRP:	\$444,439.33*	▪ CDFI:	\$783,160.20*
▪ Commercial:	\$212,076.74*	▪ Consumer Lending:	\$138,572.91*
▪ USDA Grant:	\$60,939.00	▪ ICDBG:	\$432,500.00

*Based on Bank Statements ending January 31, 2015

Business/Entrepreneur Workshops

Date	Location	Time	Workshop
Feb 21, 28	Tahlequah	9:00 am – 4:00 pm	Core Four
February 27	Norman	8:30 am – 5:00 pm	ODOT Civil Rights Conference
March 12	Tahlequah	6:00 pm – 8:00 pm	How to do Business with Cherokee Nation
March 17	Vinita	6:00 pm – 8:00 pm	QuickBooks 101
March 25	Tahlequah	TBD	SBA 8(a) Training
April 7, 14, 21, 28	Claremore	6:00 pm – 8:00 pm	Core Four
April 30	Tahlequah	6:00 pm – 8:00 pm	Business Financials 101
May 5, 6	Tulsa		Trading at the River(River Spirit)/Market Place
May 9, 16	Vinita	9:00 am – 4:00 pm	Core Four
May 19	Tahlequah	6:00 pm – 8:00 pm	QuickBooks 101
June 11	Vinita	6:00 pm – 8:00 pm	How to do Business with Cherokee Nation

Entrepreneur Community Field Days

Community	Address	Dates
Pryor	One American Way Building 2945 Hwy 69A	1st Tuesday Each Month
Bartlesville	Rogers State University 401 S Dewey Room 808	2nd Thursday Each Month
Sallisaw	Cherokee Nation 100 East Choctaw	3rd Tuesday Each Month
Collinsville	Cherokee Nation 109 E Main Street	3rd Thursday Each Month

Claremore	HACN 23205 S Hwy 66	4th Thursday Each Month
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**Brian Wagnon is the Business Coach for field visits. Contact Brian-Wagnon@Cherokee.org and cell phone 918-506-9168

NOTEWORTHY

Year to date, over **entrepreneurial development and business workshops** have been attended by **2,031 people**; 100 percent of whom found the training useful to building the capacity of their businesses.

Working with TERO Contractors to revamp and revitalize our **contract lending program** to provide needed, early stage cash flow for contractors and subcontractors.

New **incubator tenant** opening in the Cort Mall, an esthetician will open her office March 1, 2015.

Kawi Café Entrepreneur Graduates

Total Graduates	16
Food Industry Careers	5
Business Development Stage	2
Business Start Up	1
Regular Employment	2
Temporary Employment	2
Recent Graduates, not yet tracked	4

"I'm excited that I get to be a part of a CN grant program. I think it will be very beneficial to me in learning the commercial food industry. I will also receive help in writing my business plan, and that will give me the foundation I need to be a success. I've enjoyed my time here and look forward to learning more from this experience!" - Participant: Valerie Fjeseth

Application submitted to US Department of Treasury **CDFI Fund for a \$1 million** grant to increase our commercial lending capacity.

Partnering with Grand Gateway Economic Development Association and the Oklahoma Department of Commerce to conduct **4 Economic Development Workshops** targeting PSO communities in the **northern counties**. These workshops will include up to 18 options for rural economic develop, including retail, main street, growing local, etc. Communities interested in more in-depth, one-on-one training will be scheduled. This model will be expanded to southern counties in the future.

Partnering with GIS to provide community economic developers with **community based economic data reports** that will including economic leakage and community sales reports. Communities will go through Commerce to access these reports and will receive training on how to use them for economic development.

NORA will be hosting a one-day summit in Pryor in March or April focusing on **education's impact on economic development**. Further information will be forthcoming.

Cherokee Nation Entrepreneurial Development Manager, Stephen Highers, was **elected to the Tahlequah City Council!**

Artists and Community Tourism – Economic Development

Increasing the business capacity of our Artists and tourism capacity of our communities

Cherokee Arts Center		
Registration is necessary and all classes are fee based, paid directly to artists		
Date	Time	Class
Every Thursday	6:30 pm	Silversmithing Class
Every Tuesday	6:00 pm	Silversmithing Class
Every Mon & Wed	6:00 p.m.	Shell Carving
Every Friday	6:00 pm	Life Drawing
Every Saturday	10:00 am	Basic Assemblage
Every Saturday	1:00 pm	Loom Weaving

Friday Feb 13	7:00 pm	Dip N Sip Parties
Sat. Feb 28	2:00 p.m.	Tahlequah Writers Group
Thurs Feb 12	6:00 p.m.	Brushstrokes
Thurs Feb 19	6:00 p.m.	Brushstrokes

NOTEWORTHY

The Cherokee Arts Center provides teaching space and specialized equipment for artists to increase their revenues. Year to date, **287 people have attended 36 artist taught classes** and the equipment has been used 224 times by 78 artists.

Year to date, **1,989 people** have taken advantage of the **Cherokee Arts Center** this includes **1,187 visitors to the Spider Gallery**.

The **Spider Gallery currently represents 78 artists**. The Gallery has participated in 9 events giving Cherokee artists exposure to over 1,000. Total Spider Gallery Sales are \$23,217.15 for year to date.

Artists have earned \$15,719.25 through Cherokee Arts Center and Spider Gallery activities. Tourism related small business and artist loans total \$363,405 year to date.

The Spider Gallery Store is an annex to the Gallery, which is also located in the Cort Mall. This store will showcase lower cost items made by Cherokee citizens and some of our own product lines. This will increase sales and revenue for the Gallery and increase foot traffic into the Cort Mall.

"I love the Cherokee Art Center both as an artist and as a Tahlequah resident. I can drop by with something I've made and staff members are quick to do an intake into Spider Gallery. They encourage participation by artists in demonstrating and vending creations during special events or by teaching a workshop and I get great gifts for friends and family there. Lots of public meetings are held there, too. I'm very proud of how active and vital the Center is and how beautiful Spider Gallery looks. And I'm thankful that CAC hosts Tahlequah Writers' monthly meetings. You never hear 'no,' while you always hear 'yes, we can do that.' They have a great can-do attitude"

**– Karen Coody Cooper, Tahlequah, Cherokee
AUTHOR, POET, SASH WEAVER, WAMPUM ARTIST**



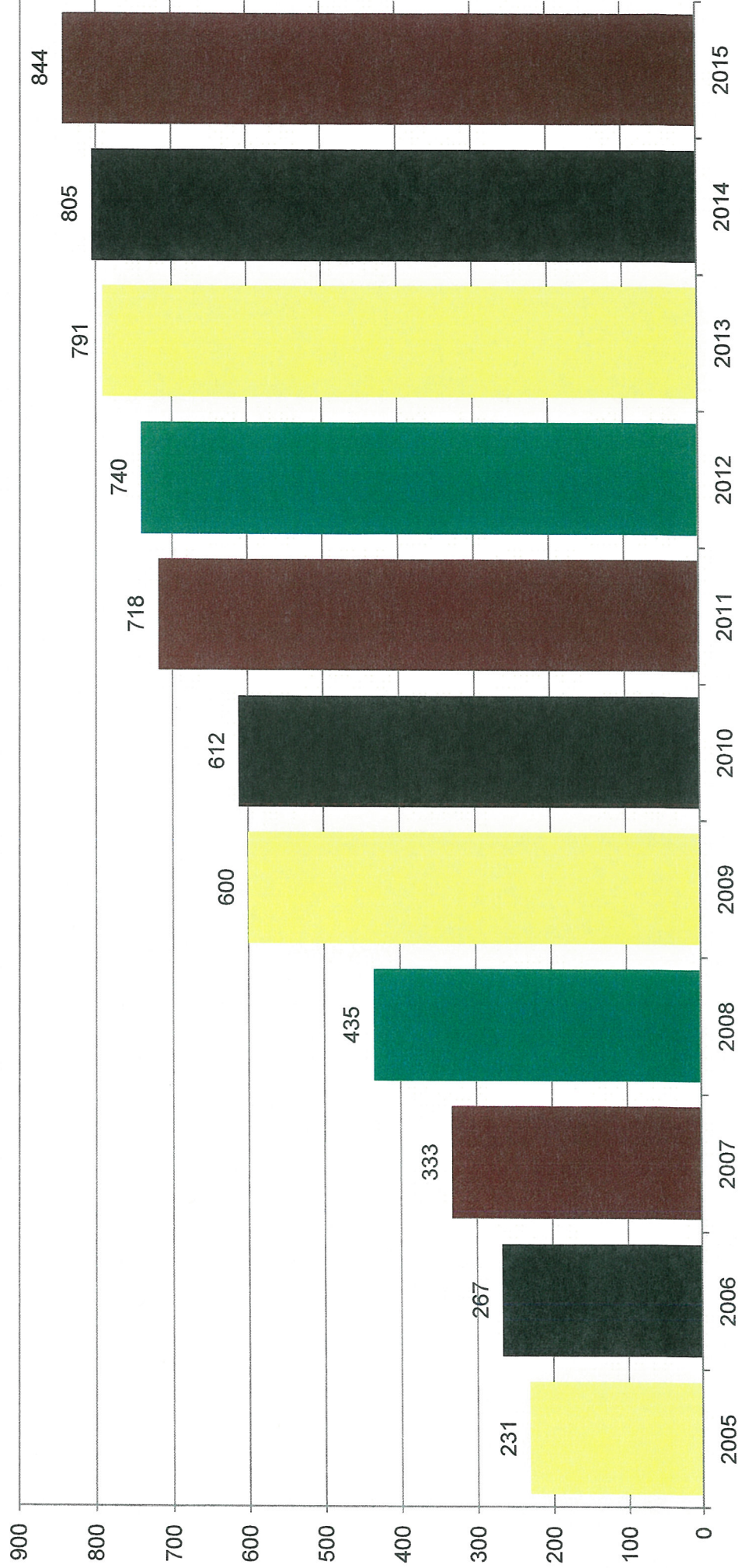
CERTIFIED INDIAN OWNED BUSINESSES REPORT

1st Quarter 2015

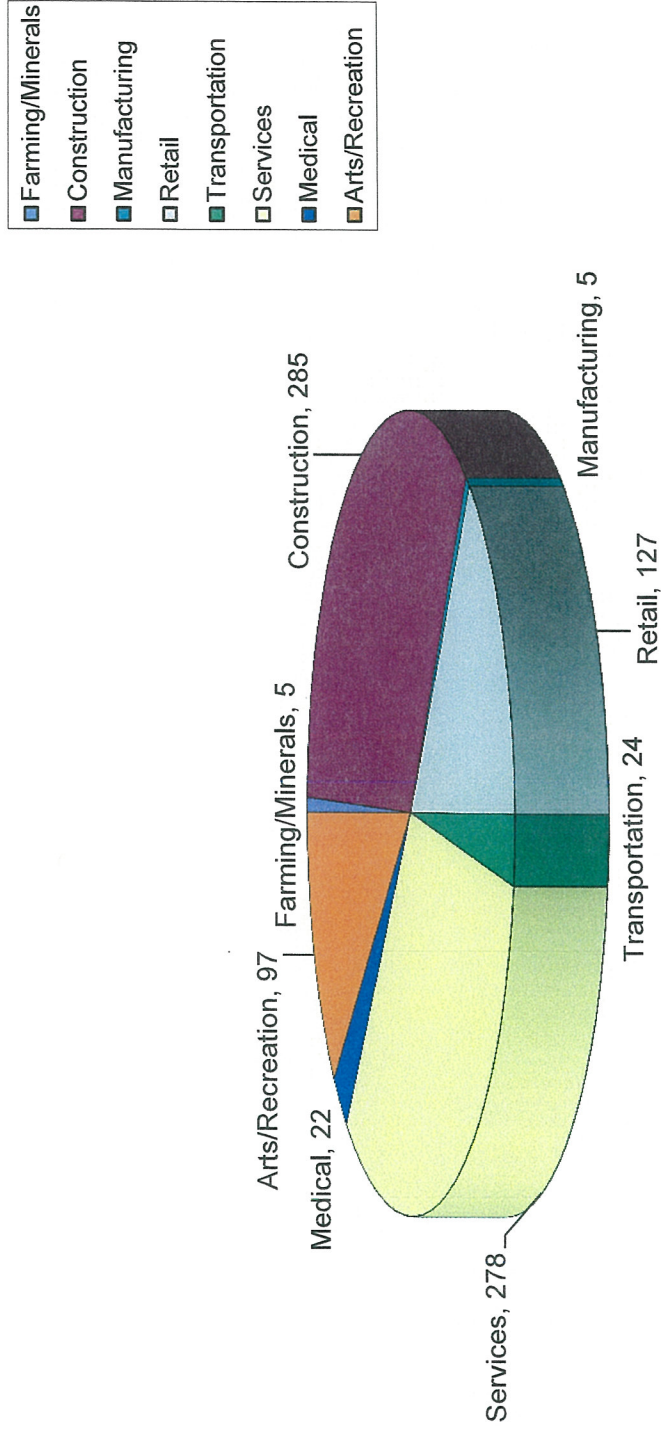


Increased Number of Certified Indian Owned Businesses

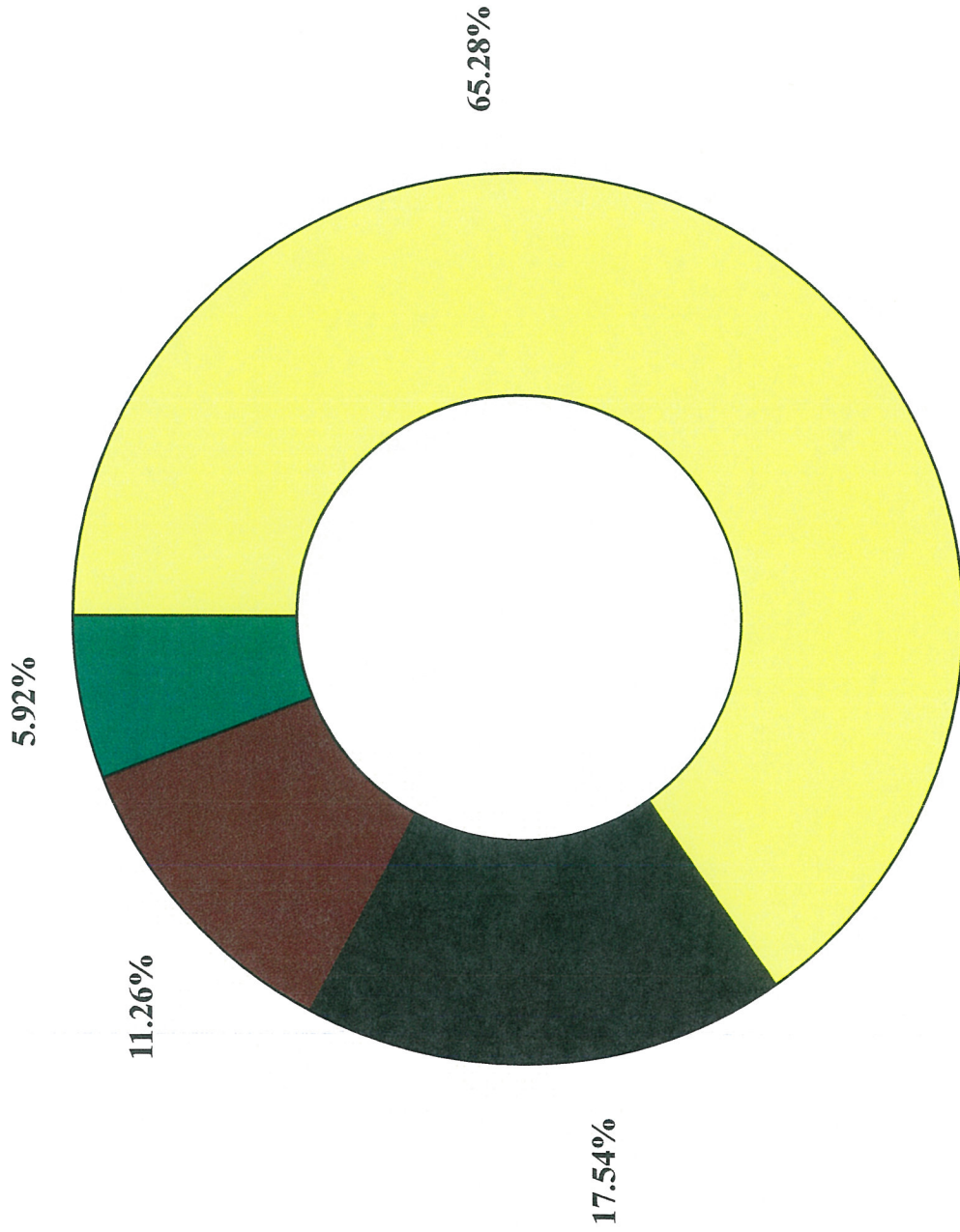
Cherokee Nation Total Certified TERO Vendors



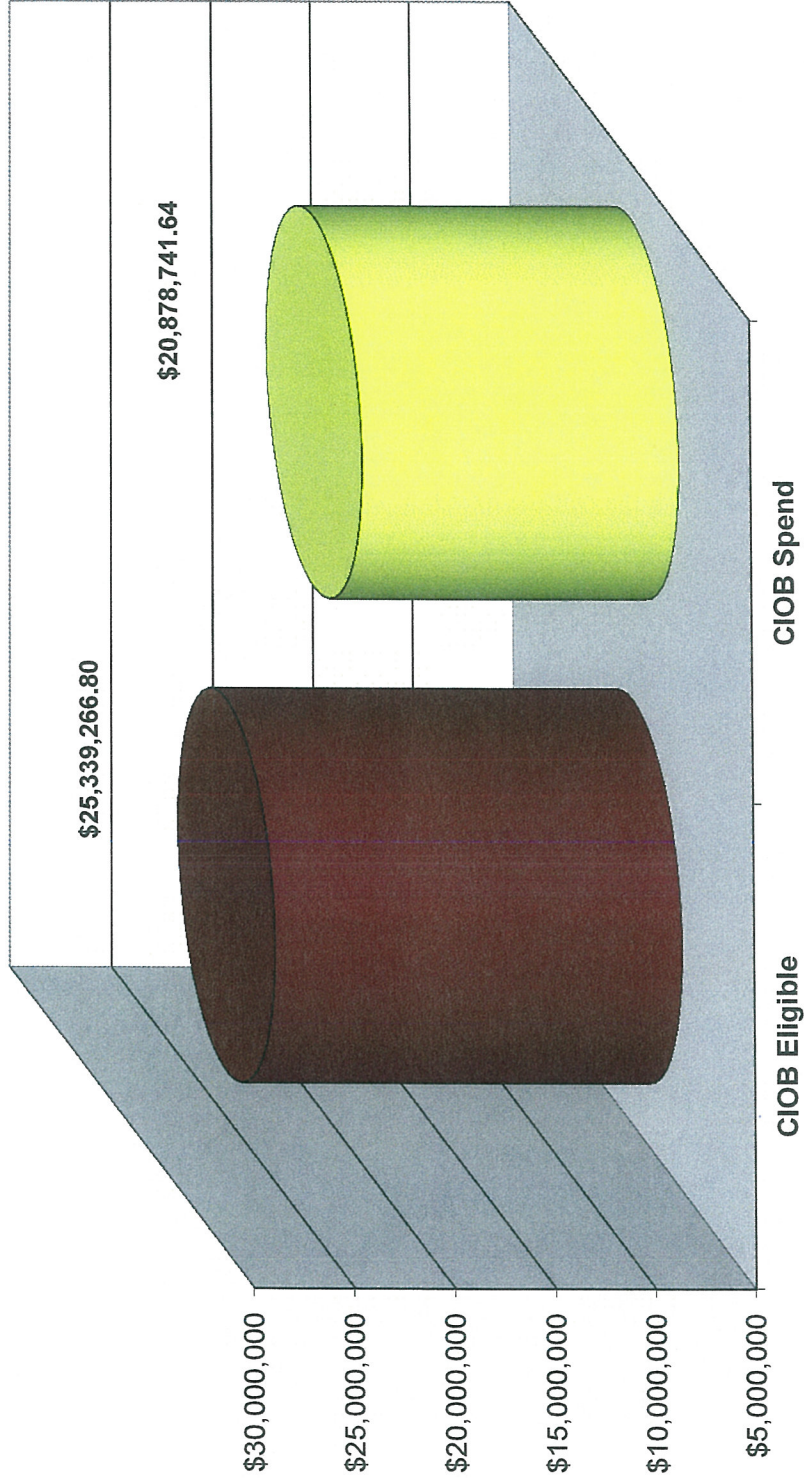
CIOB by Industry



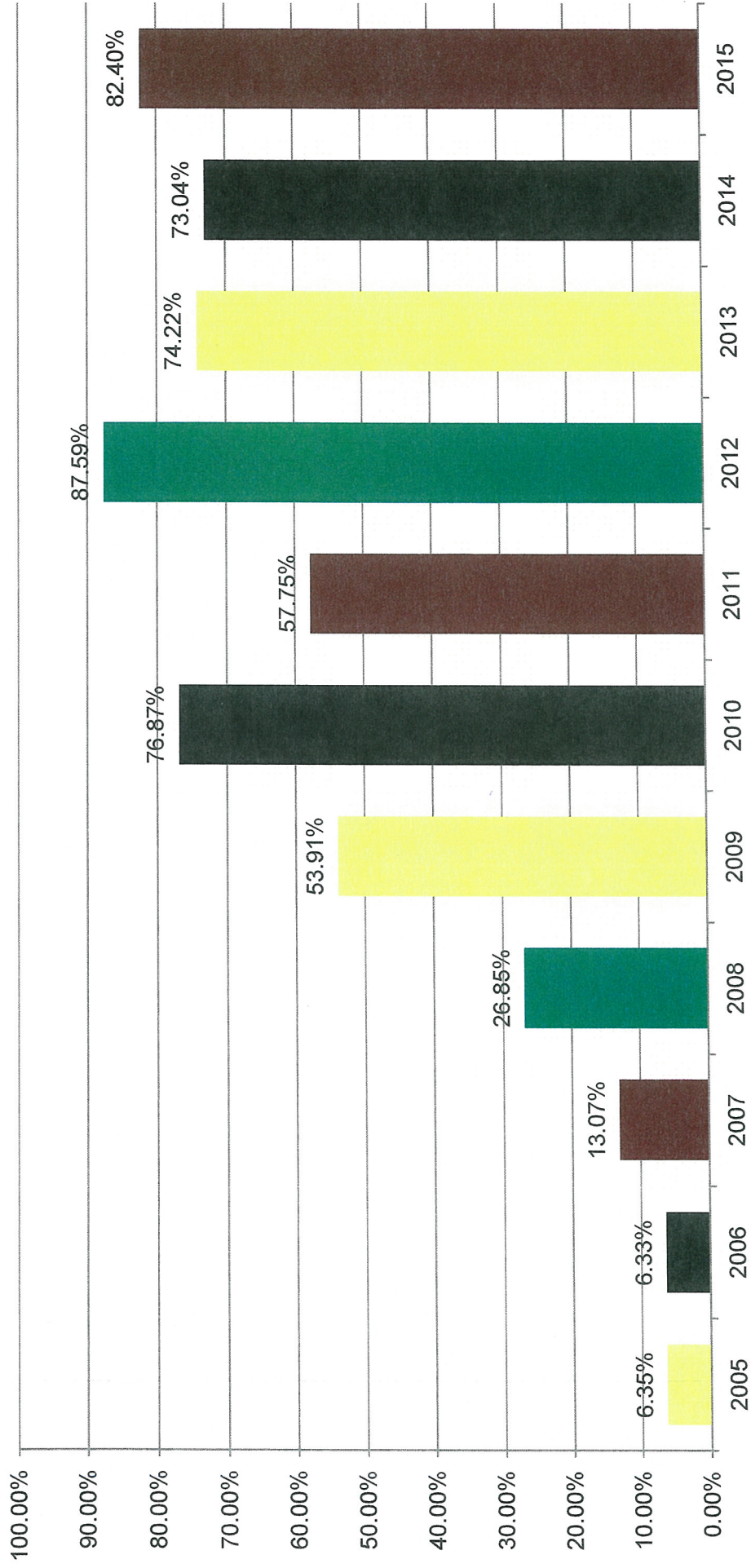
Certified Indian Owned Businesses Ownership



82.40 Percent of Eligible Purchases were Awarded to CIOB

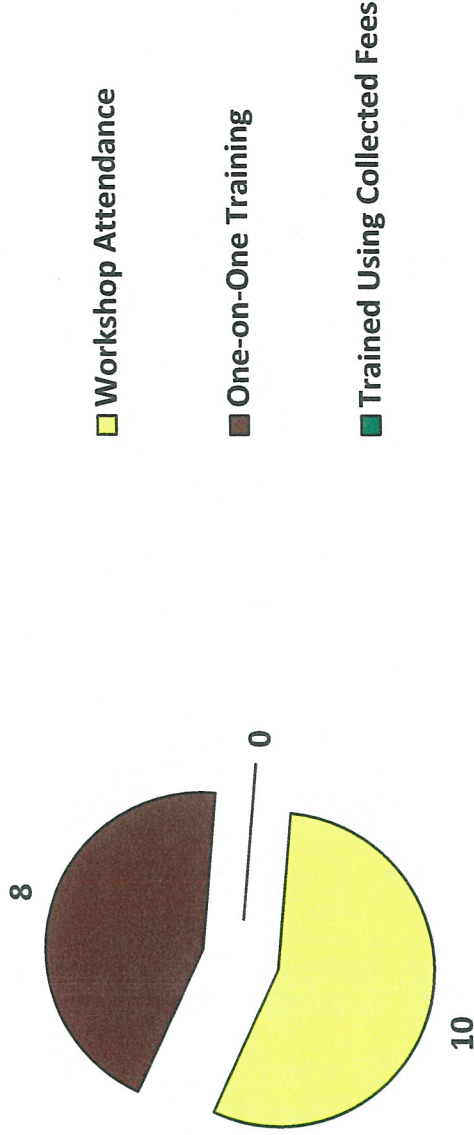


**Total Procurement Dollars
Awarded to Certified Indian Owned Businesses in 2015 -
\$20,878,741.64**

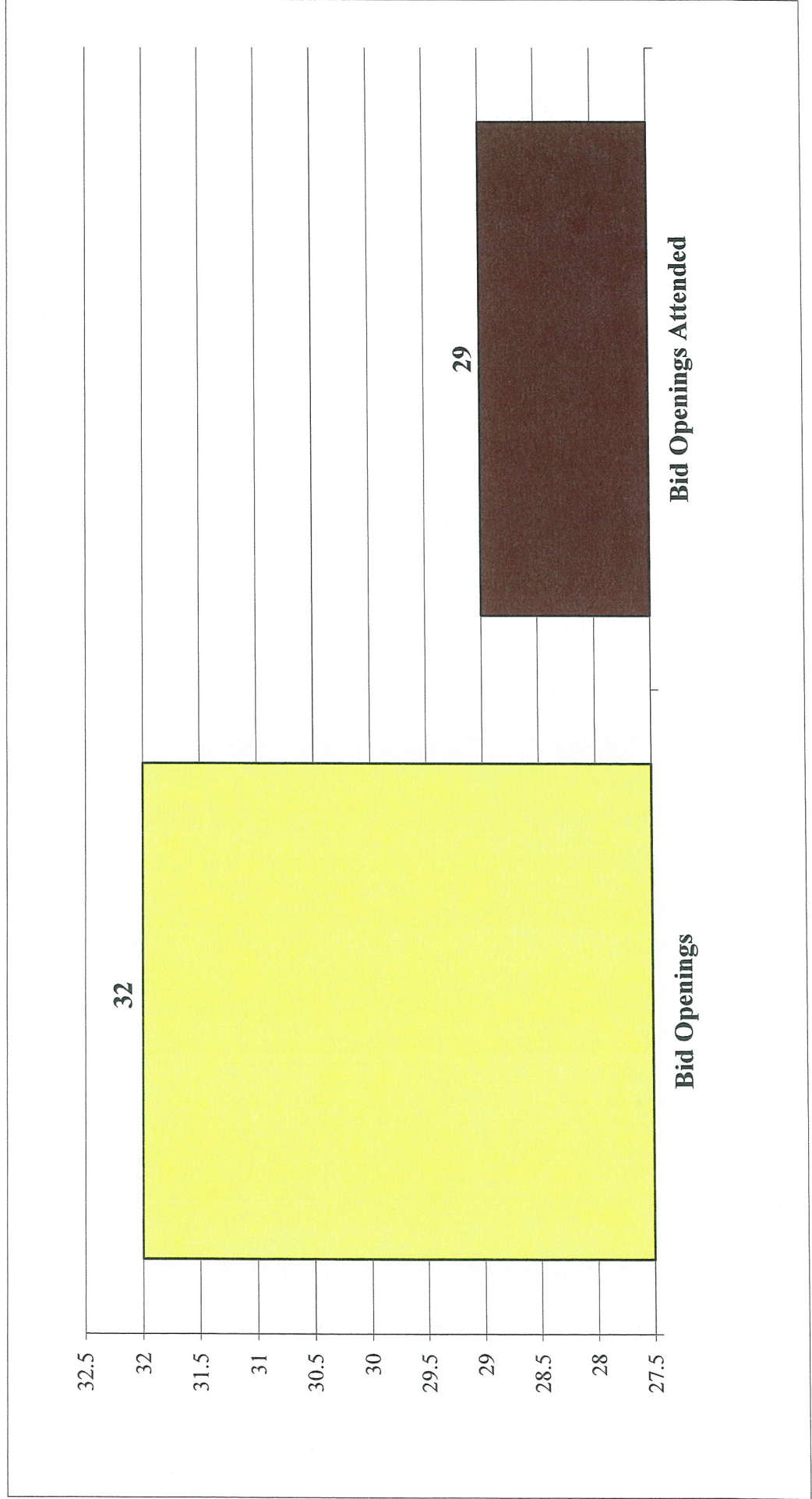


18 Indian Business Owners have Received Business Training

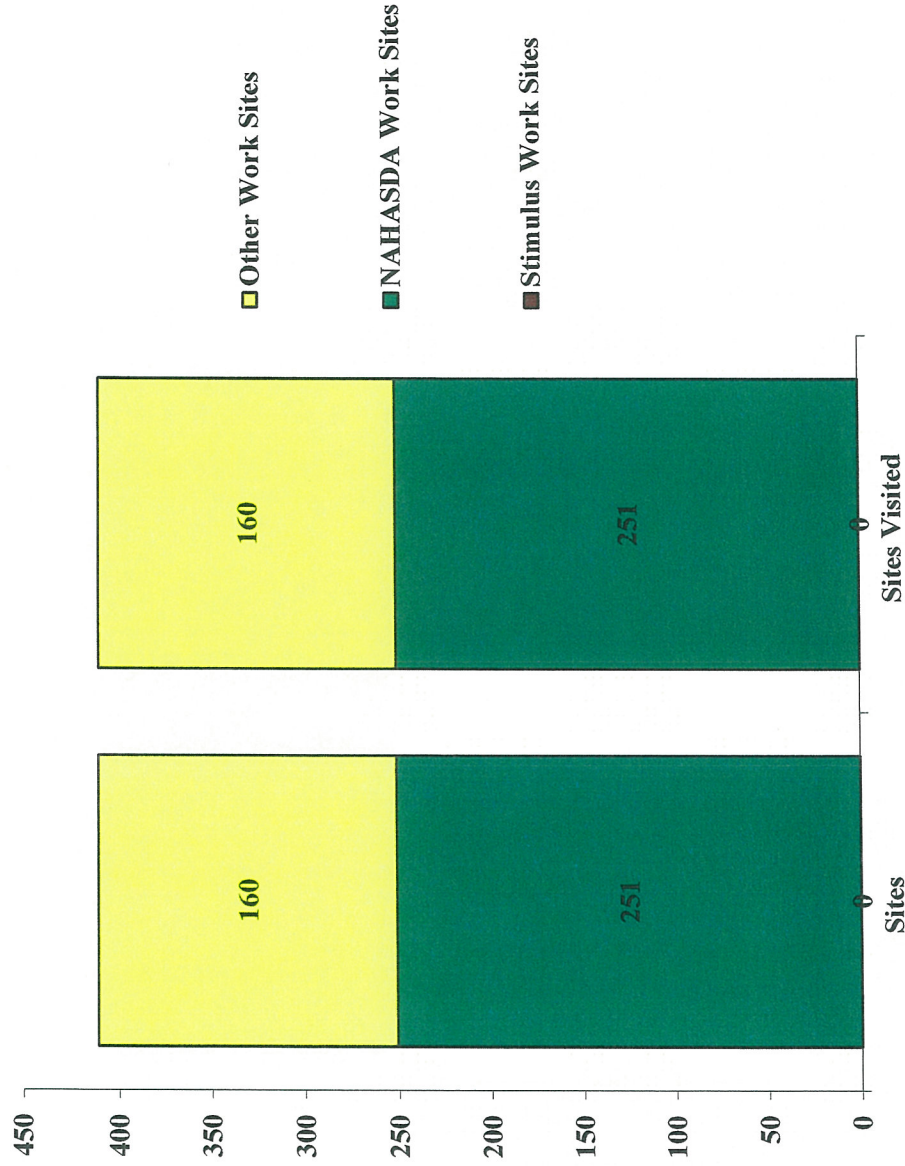
100% Found Training Beneficial!



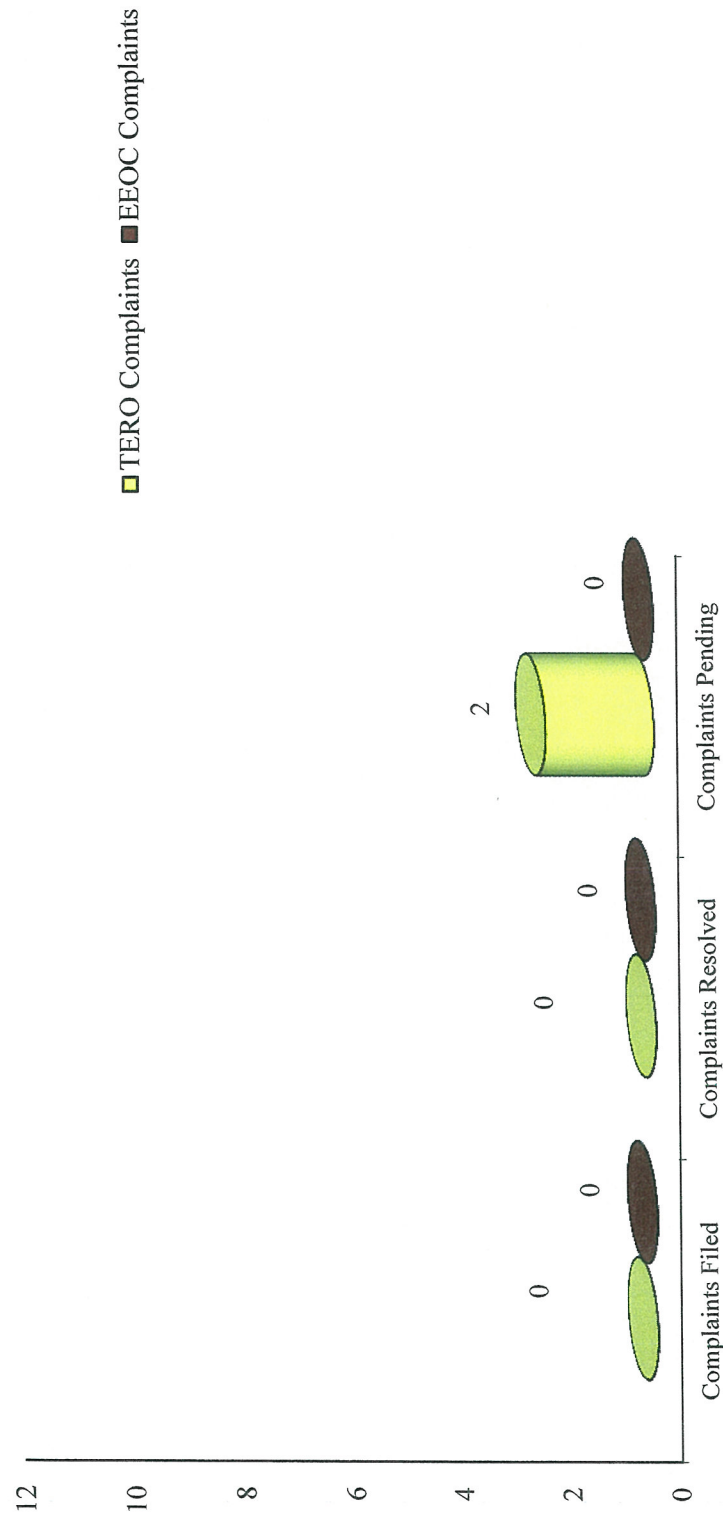
91% of Bid Openings Were Monitored by TERO Staff



100% of Work Sites Were Monitored



Complaint Resolution



75.67 Percent of all Cherokee Nation Employees are Cherokee Nation Citizens

