



CHEROKEE NATION™
Businesses

Executive and Finance Report
Consolidated Financial Information
October 2014

Cherokee Nation Businesses

Executive and Finance Report

October 2014

Budget Highlights

- October 2014 CNB consolidated net income of \$9.2 million was \$1.5 million above budget and \$880,000 higher than prior year.
- CNE EBITDA of \$15.4 million was \$1.0 million favorable to budget. Higher revenue was driven by a mix of gaming, food and beverage and retail revenue at the Hard Rock, Tahlequah, Ft. Gibson, and Ramona properties.
- Technology Portfolio EBITDA of \$1.0 million was \$348,000 above budget. October revenue was favorable to budget by \$1.7 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 September 2014.
- CNI EBITDA loss of \$649,000 was below budget due to lower than anticipated revenue of \$1.2 million in the Distribution segment coming from Telecom.
- The CNB Parent Company EBITDA was \$17,000 unfavorable to budget, which was driven by higher than anticipated employee costs.
- Combined, EBITDA at all other entities was \$180,000 above budget.

Capital Expenditures

October YTD capital expenditures were \$9.7 million for all entities.

- CNE: \$6.7 million
 - Expansion: \$3.6 million – South Coffeyville and Roland properties
 - Strategic: \$2.4 million – Cherokee Tower Renovation, WRD Advantage, Catoosa Access Control, and WRD Surveillance System
 - Maintenance - \$662,000
- CPM: \$2.5 million – Health clinic construction / expansion.
- CNB: \$410,000 – IT Maintenance.
- CNCS: \$20,000 – Purchase new vehicles.
- CNI: \$5,000 – Maintenance.

Financing

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

Cherokee Nation Entertainment

Executive and Finance Report

October 2014

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$48,971	\$47,621	\$1,350	3%
• Operating Expenses	Month -	\$33,583	\$33,250	(\$334)	1%
• EBITDA	Month -	\$15,388	\$14,371	\$1,017	7%

Operating Highlights

- CNE EBITDA of \$15.4 million in October was \$1.0 million above budget.
- Total revenue of \$49.0 million was \$1.4 million above budget due to higher than anticipated gaming, retail, and food and beverage revenue at the Hard Rock, Tahlequah, Ft. Gibson, and Ramona properties.
- Total operating expense of \$33.6 million was \$334,000 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 and will take approximately 6 months to finish.
- 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.
- The Roland property held a groundbreaking event on April 29, 2014 for a new casino and hotel. The target date to open the casino is late May 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, Roland, Catoosa – \$3.6 million
- Cherokee Tower Renovation - \$1.1 million
- WRD Advantage – 753,000
- Catoosa Access Control – \$349,000
- WSS Water Tower - \$113,000
- WRD Surveillance System - \$105,000

Cherokee Nation Industries

Executive and Finance Report

October 2014

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$4,104	\$5,142	(\$1,037)	-20%
• Operating Expenses	Month -	\$4,753	\$5,728	\$975	-17%
• EBITDA	Month -	(\$649)	(\$586)	(\$62)	-11%

Operating Highlights

- EBITDA loss of \$649,000 was \$62,000 unfavorable to budget. The negative variance was primarily due to lower than anticipated profitability in the Distribution segment of \$157,000.
- CNI's revenue totaled \$4.1 million, which was \$1.0 million below budget. This was driven by lower than budgeted revenue in the Distribution segment of \$1.2 driven by lower parts sales to AT&T..
- Total operating expenses of \$4.8 million were \$975,000 lower than budget, primarily driven by lower cost of goods sold associated with lower revenue.

Technology Portfolio

Executive and Finance Report

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Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$11,501	\$9,781	\$1,720	18%
• Operating Expenses	Month -	\$10,476	\$9,104	(\$1,372)	15%
• EBITDA	Month -	\$1,025	\$677	\$348	51%

Operating Highlights

- The IT Portfolio generated revenue of \$11.5 million compared a budget of \$9.8 million.
- October EBITDA was \$1.0 million compared to budgeted EBITDA of \$677,000. The positive variances in both revenue and EBITDA are primarily due to the start of new contracts won in September 2014 that were higher than anticipated.
- CSG and CNT revenue of \$3.7 million exceeded the budgeted amount by \$1.1 million. The positive budget variance was due to the start of new contracts won in September 2014.
- CNGS, CNTS, and CNMC revenue was \$7.7 million in October. Revenue was favorable to prior year by \$1.5 million and was favorable to budget by \$796,000. The favorable variance is also attributable to the start of new contract wins.
- Cherokee Nation Assurance (CNA) revenue of \$119,000 was unfavorable to budget by \$200,000. The unfavorable variance to budget was attributable to the delayed start in new contracts, which are expected to start in November.

Other Diversified Businesses

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EBITDA Budget Highlights

	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• CNSD	Month -	\$73	\$31	\$42	134%
• Construction	Month -	\$156	(\$5)	\$160	103%
• CMS / CNHS	Month -	\$5	(\$13)	\$18	375%
• Aerospace Products S.E.*	Month -	\$29	(\$11)	\$40	138%
• CCRC*	Month -	(\$1)	(\$41)	\$40	-98%

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

Operating Highlights

- **CNSD** EBITDA of \$73,000 was \$42,000 favorable to budget. The favorable variance to budget was due to increased profitability on the Fort Benning, West Point and TSA security contracts.
- **Construction** EBITDA of \$156,000 was \$160,000 favorable to budget. The favorable performance of CNCS was a result of additional revenue on new contracts as well as the end of the Freezer/Chiller roof replacement job in Hawaii.
- **CMS / CNHS** resulted in an EBITDA of \$5,000 which was favorable to budget by \$18,000. The favorable budget variance was due to additional billable hours in October and improved cost control measures.
- **APSE** net income of \$29,000 was \$40,000 above budget. This was primarily driven by lower operating expenses of \$59,000, which was due to receiving better pricing on finalized orders.
- **CCRC** net loss of \$1,000 was favorable to budget by \$40,000 due to higher than anticipated profitability on construction projects. Revenue was below budget due to decreased activity on the Picatinny projects. Revenue is expected to return to budgeted levels next month.

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Group: Financial Resources

Month/Year of Report: November 2014

Treasurer: Lacey Horn

Phone: 207-3902

E-mail: lacey-horn@cherokee.org

- I. Budget Highlights – through October
 - a.) Financial Resources – 7% spent
 - b.) Treasurer – 5% spent
 - c.) IIM – 13% spent
 - d.) Acquisition Management – 10% spent
 - e.) Records Management – 7% spent
 - f.) Support Services – 8% spent
 - g.) Employee Performance Incentive – 0% 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 11/30/2014
 - b.) Accomplishments
 1. SAS Audit underway
 2. Staff attended IRS Form Reporting – What You Need To Know – Nov 5
 3. Staff attended the 19th Annual Governmental GAAP Update Webinar – Nov 6
 4. Staff attended Kronos Workshop – Nov 9-13th
 5. Staff attended Tribal Interior Budget Council Quarterly Meeting
 - c.) Upcoming Events
 1. FY 2014 year end close continues

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	\$ 2,763,405.19	81.11%
Award to non-TERO Vendor	\$ 643,663.10	18.89%
Sub-total bids with a TERO vendor participating	\$ 3,407,068.29	100.0%
Bid - no bids submitted by TERO Vendors	\$ 429,458.68	
October 1, 2014 through October 31, 2014		

Group: Career Services-Employment **Month/Year of Report:** November, 2014

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>October</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.	14	14	250	5.6%
<i>Training Completions</i> – includes individuals receiving a nationally-recognized certification, credential, or degree while enrolled in one of 11 different vocational training programs.	37	37	450	8.2%
<i>Employment Completions</i> – includes individuals who completed a Work Experience or TERO OJT assignment.	27	27	300	9.0%
<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.	81	81	500	16.2%
<i>Retention</i> – includes individuals who were retained in their unsubsidized employment through assistance from a Career Services Program.	21	21	200	10.5%
<i>Job Readiness Training</i> – includes individuals who completed the Life/Employment Skills Training.	61	61	250	24.4%
<i>WorkKey Credentialing</i> – includes individuals who received a bronze, silver, gold, or platinum WorkKeys credential.	18	18	500	3.6%
<i>Job Bank</i> – includes the number of new individuals entering the TERO Job Bank.	21	21	500	4.2%
<i>Indian Owned Businesses</i> – includes the number of businesses newly certified as an Indian Owned	16	16	100	16.0%

Business.				
<i>Job Fairs</i> – includes the number of Job Fairs held by Career Services.	8	8	15	53.3%
<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	5	50	10.0%

b. Accomplishments

1. Employment Development (TERO) mobilized a total of 26 firedancers on three separate crews to California.
2. Fifteen staff attended a two-day training on the new Job-Driven National Emergency Grant (JD-NEG).
3. TERO received a signed copy of the MOU between the state of Oklahoma, the BIA and Cherokee Nation.
4. Sixteen Day Training participants entered unsubsidized employment; six with Cherokee Nation, two with CNB/CNI, and eight outside Cherokee Nation.
5. Thirty staff attended a three-day training on Helping Individuals Regain Employment (HIRE).
6. The 7th Annual TERO Vendor Fair and Indian-Owned Business Recognition Banquet was held Thursday, November 6th at the Hard Rock Hotel and Casino Tulsa.
7. TERO held three Construction Fairs: Ramona, Jay and Stilwell.

c. Initiatives

1. Staff are planning for additional Job Fairs.
2. Staff are contacting potential employers for On-the-Job Training contracts.

Commerce Group

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

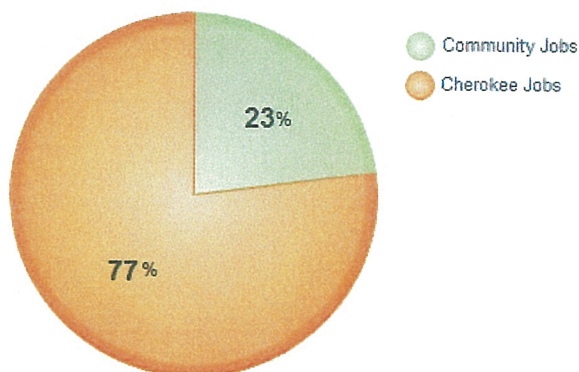
Anna Knight, Executive Director
 918-453-5532
 anna-knight@cherokee.org

Economic Impact

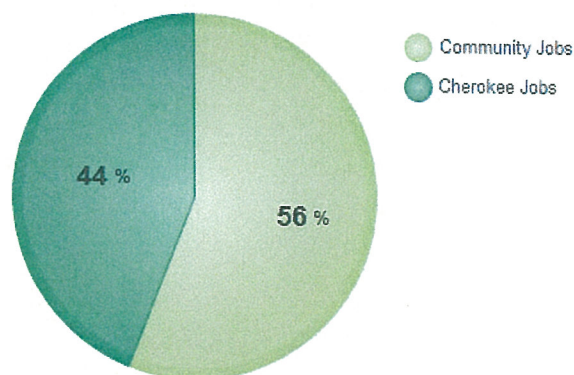
Jobs Created or Retained in Local Communities

Private sector jobs created or retained through small business lending

Community Jobs Created or Retained
 Five Year Period 2010-2015 - 710 Total Jobs

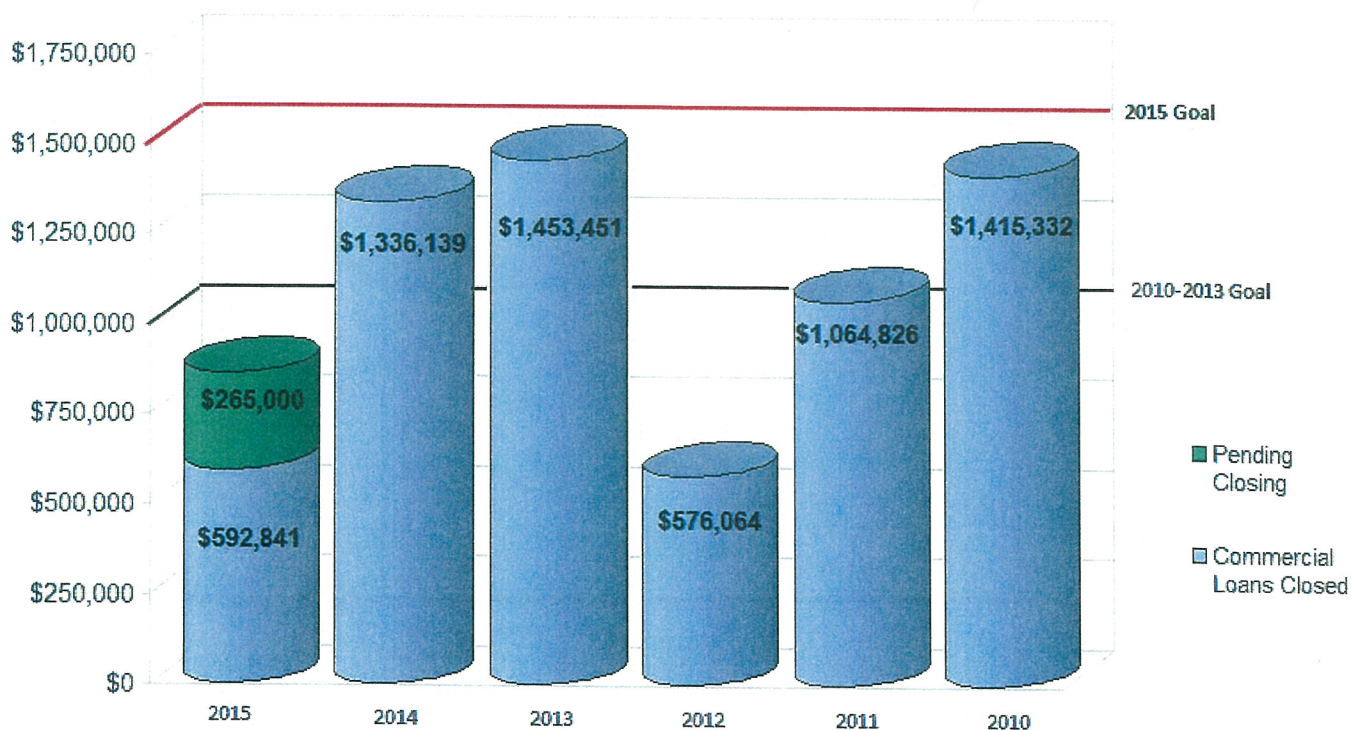


Community Jobs Created or Retained
 Current Year to Date - 70 Total Jobs

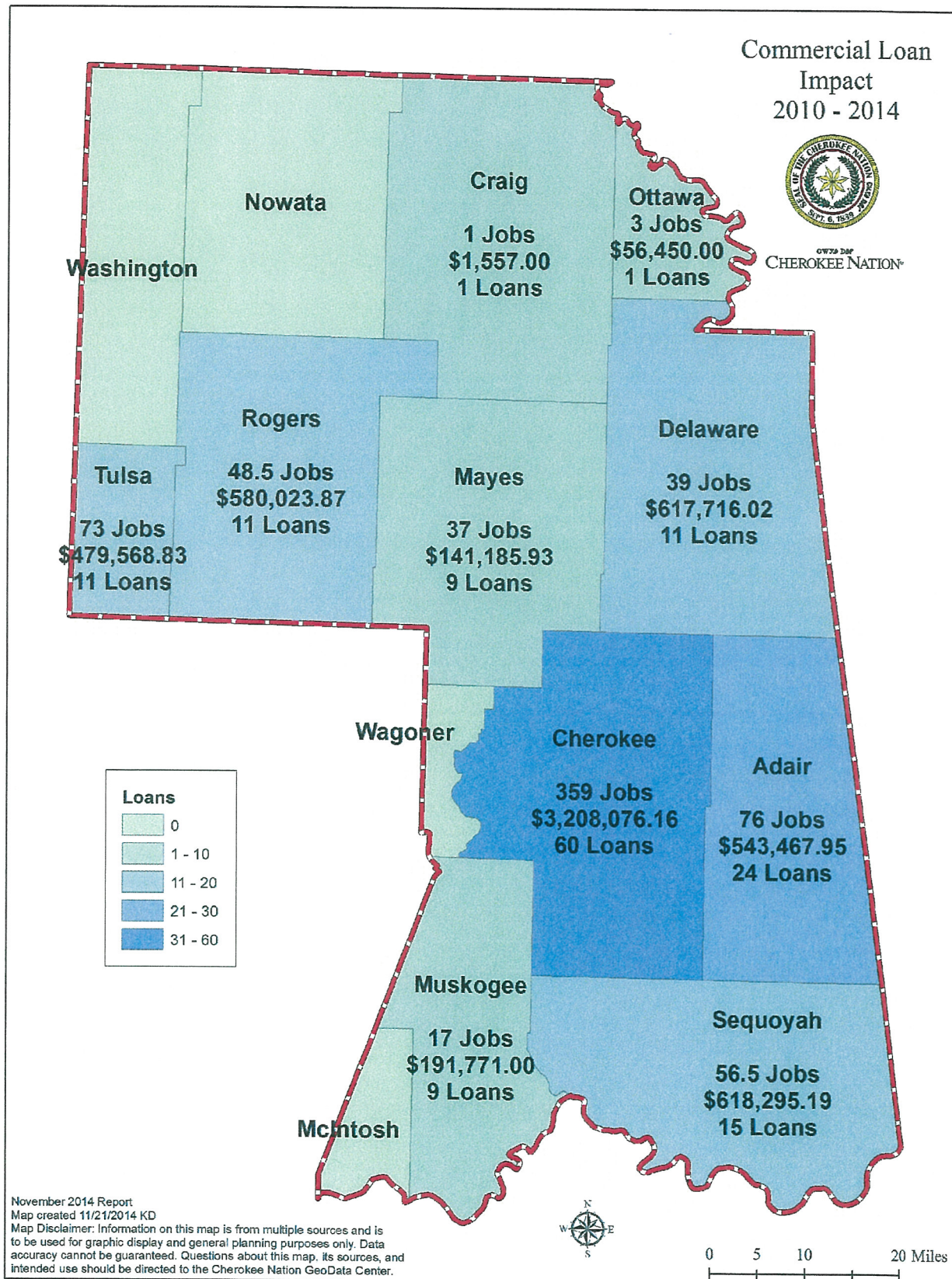


Economic Investment in Local Communities

Business loans made for startup or expanding businesses



Commercial Lending Impact, by County, 2010 through November 2014



Commercial Collateral loans closed November 2014

Community	Loan Purpose	Project Costs	Loan Amount	Collateral Discounted Value	Owner Equity	Jobs
Westville	Finish barn to house pigs and materials for artificial insemination	\$6,000	\$3,500	ESF 1 on 4 Breeding Shows; UCC on material=\$3,750	41%	2
Tulsa	Debt Consolidation	\$232,000	\$160,380.69	1 st Mortgage Commercial Bldg; 1 st lien on truck; lien on personal equipment and company equipment =-\$163,278	32%	18

Available Lending Capital

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

▪ IRP:	\$560,305.02	▪ CDFI:	\$410,359.73
▪ Commercial:	\$53,876.88	▪ Consumer Lending:	\$229,056.87

Based on Bank Statements ending October 31, 2014 – Bank Statements not available for November
Note: we have received award notifications for \$500,000 in small business fund from USDA and \$400,000 in low income micro-enterprise funds from HUD, which have not yet been drawn down.

Business/Entrepreneur Workshops

Date	Location	Time	Workshop
October 29	Coweta	8:15 am to 12:30 pm	Entrepreneurship 101
November 13	Hard Rock	TBD	TERO Vendor Fair

NOTEWORTHY

The **6th Annual Northeast Oklahoma Regional Summit** was held **October 7** at Northeastern State University with a total attendance of **282** community members.

The Cherokee Nation Annual TERO Vendor Fair was held on November 13 at the Cherokee Hard Rock Casino in Tulsa with **740 attendees**.

“The Kawi Café entrepreneur program has helped me learn the responsibilities of opening my own business. Even though it's a lot to learn, it is worth knowing how an actual business operates. I look forward to the months ahead and writing my business plan. And when the time comes, I will have a very good idea of what is required to open or manage a business. I am very excited to use the knowledge learned from this program!” - Participant: Micah Goodrich—Tahlequah.

Year to date, over **entrepreneurial development and business workshops** have been attended by **853 people**; 100 percent of whom found the training useful to building the capacity of their businesses.

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 Wednesday	6:00 pm	Loom Weaving
Every Friday	6:00 pm	Live Drawing
Every Saturday	10:00 am	Basic Assemblage
Every Tuesday	1:00 pm	Cartooning with Story Telling
Every Week – Friday and Saturday	7:00 pm	Dip N Sip Parties
Every Week – Tuesday or Thursday	5:30 pm	Brushstrokes
December 3-7	1:00 pm	Baskets in Cherokee

NOTEWORTHY

The Cherokee Arts Center provides teaching space and specialized equipment for artists to increase their revenues. Year to date, **50 people have attended 11 artist taught classes** and the equipment has been used 175 times. Year to date, **816 people** have taken advantage of the Cherokee Arts Center.

The **Spider Gallery currently represents 76 artists**. The Gallery has participated in 9 events giving Cherokee artists exposure to over 1,000. Total Spider Gallery Sales are \$5,915.14 for year to date.

Artists have earned \$4,949.50 through Cherokee Arts Center and Spider Gallery activities. Tourism related small business and artist loans total \$357,405 year to date.

*"I appreciate all the work that the staff at the Art Center and Spider Gallery have done to help Cherokee artists. I have found that each employee goes above and beyond to help in any way possible. Not only do they help, but they do it with a great attitude and have always done it with class. I am very thankful for how my art has been so nicely presented in the gallery and at shows. I also am thrilled with all the opportunities that the Art Center provides. I have attended workshops, art shows, business classes, rented use of the kiln and rented show equipment (which I must say is top notch!). A big Wado to the Cherokee Nation for providing these wonderful spaces, equipment, people, and opportunities!!- **MaryBeth Nelson- Artist***

Group: Certified Indian Owned Businesses (Career and Commerce Services)

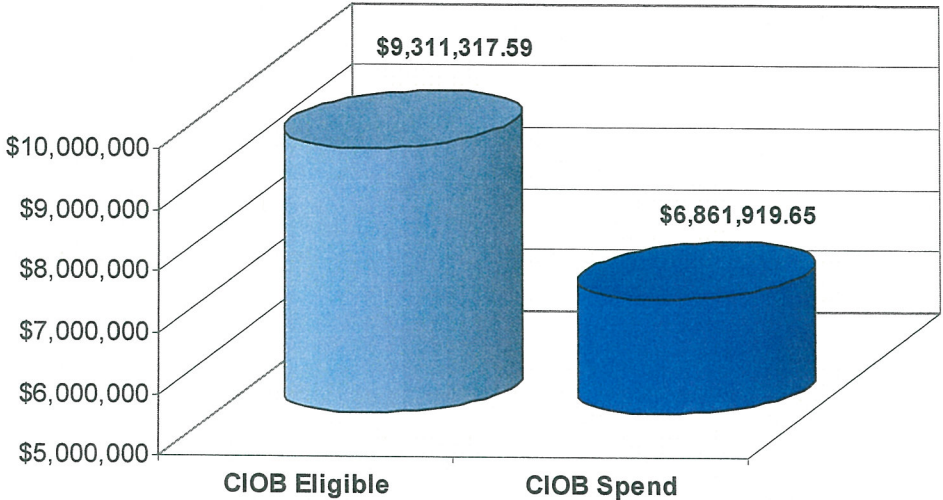
Month/Year of Report: December 2014 (October 2014 Numbers – FY 2015)

Program Highlights

a. Balanced Scorecard Measures

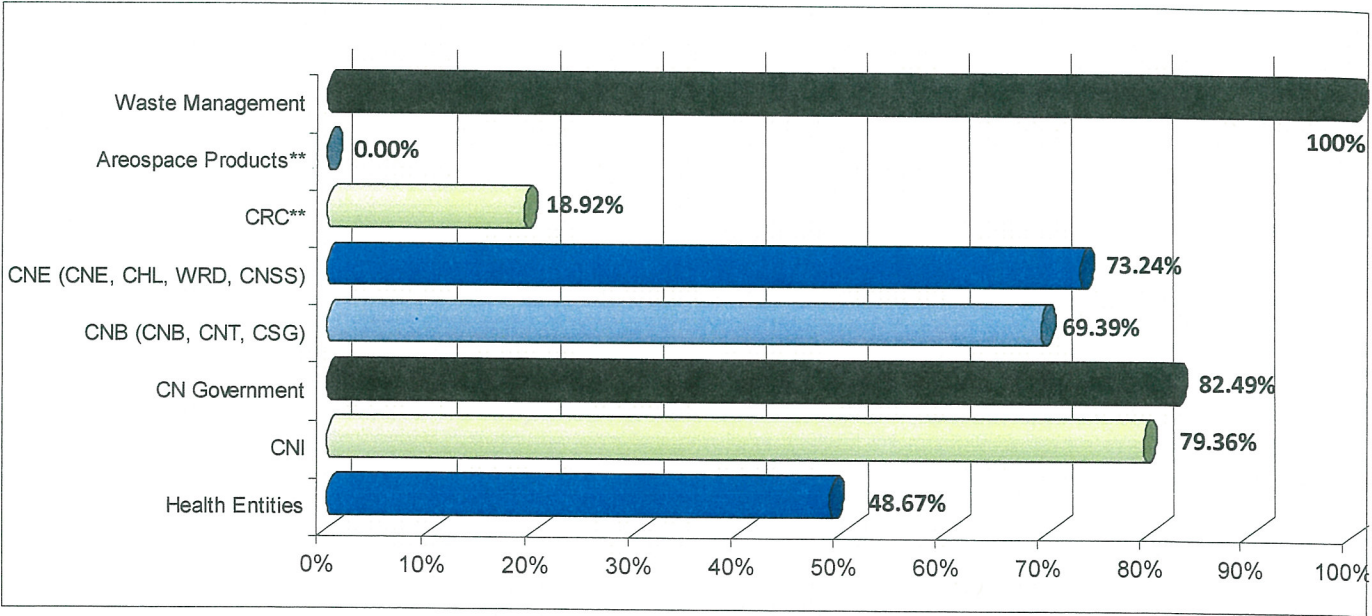
Objective	Metric	2015 Goal	Year to Date Achievement Notes/Comments
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	300/100%	10 /100%
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	80%	73.69% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> • CNE – 71.66% • CN Government - 81.11% • Health Entities – 100% • CNI –31.48% • Waste Management - 0%
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB - CN – 82.9% Health - CNI – CRC – Aerospace -	Business Entities - 75.73% <ul style="list-style-type: none"> • CNE (CNE, CHL, WRD, CNSS) 73.24% • CNB (CNB, CNT, CSG) 69.39% (does not include service contract employees) • CN Government 82.49% (does not include IPA/MOA) • Health Entities 48.67% • CNI 79.36% (does not include service contract employees) • CRC 18.92% (not wholly owned by CN) • Aerospace 0% (not wholly owned by CN) • Waste Management 100%
Increase Indian-Owned Business Certifications	# Newly Certified Indian-Owned Businesses	150	16
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	200/95%	5 /100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	0.00%- based on \$'s loaned 0.00%- based on number of loans made
Effective Usage of Fees Collected	# Trained	100	Information not available
Effective Monitor of Work Sites – Construction and Housing	# Monitoring Visits	90%	100% 132 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	95% - 15 out of 15
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 0 complaints filed; 0 resolved, 2 pending EEOC: 0 complaint filed; 0 resolved, 0 pending

73.69% of CIOB Eligible Procurement Opportunities were awarded to CIOBs



**Includes CN Government, CNE, CNI, and Health Entities

75.73% of Employees are registered Cherokee Nation Citizens



**Companies majority, not wholly, owned