



CHEROKEE NATION™
Businesses

Executive and Finance Report
Consolidated Financial Information
March 2016

Cherokee Nation Businesses

Executive and Finance Report

March 2016

Budget Highlights

- March 2016 CNB consolidated net income of \$15.6 million was \$1.8 million favorable to a budget of \$13.8 million and \$253,000 higher than prior year. Consolidated revenue was \$92.7 million, \$5.2 million favorable to budget and exceeded the previous year by \$10.0 million.
- CNE EBITDA of \$22.0 million was favorable to budget by \$773,000 million. The favorable variance was primarily associated with lower gaming related costs. Total revenue for March 2016 was \$57.6 million and was \$866,000 unfavorable to budget and \$2.4 million ahead of last year.
- Health Sciences Sector EBITDA of \$1.1 million was \$965,000 favorable to budget. The favorable variance was due to significantly lower costs than planned on CNA's DHA Management project.
- Logistics and Distribution EBITDA of \$265,000 was \$246,000 above budget due to increased deliveries on the Telecom SE project.
- Technology Sector EBITDA was \$219,000 favorable to budget mainly due to CNT's USDA and BIA projects and CSG's EPA project.
- CNB Parent EBITDA was \$186,000 unfavorable to budget. The unfavorable variance was due to higher than budgeted operating expense of \$157,000 and lower than budgeted revenue of \$29,000.
- Consulting Sector EBITDA was \$90,000 unfavorable to budget. The unfavorable variance was largely due to CNTS's AFCEC follow-on contract award delays.
- Combined, EBITDA at all other entities were \$26,000 above budget.

Capital Expenditures

March YTD capital expenditures were \$42.2 million for all entities.

- CNE: \$30.1 million
 - Expansion: \$22.3 million – Catoosa Hotel Lobby and Front Desk Renovation, Roland property improvements, Cherokee Springs Business Park, WRD renovation, Grove Casino, Tahlequah OP1 Rebuild, Tahlequah Casino
 - Strategic: \$4.3 million – IGT Advantage NexGen Kits, Surveillance Infrastructure Upgrade, Cisco switches, Cherokee Tower Renovation, Cenium Property Management System, WSS Pylon Sign, Drop/Count Intelligent Cash Box, Egame Equipment Purchases, WRD Waste Water System
 - Maintenance - \$3.6 million – Casino 2 Improvements, Fleet Vehicles, Passenger Shuttle, IT Equipment, Poker Tables and Chips, Signage, Buffet repairs, Art Procurement and Fork Lift, Fairway Mowers, Chemical spray unit
- CPM: \$6.0 million – Health clinic construction & 4th Street Property
- CNCR: \$3.1 million – New Home Construction Program
- CNB: \$2.8 million – IT Maintenance & Upgrades, Smithsonian Institution – 5 Year Capital Grant, CN Veteran's Memorial, Deltek ERP System, PeopleSoft HCM Bundle

Financing

- CNB had no outstanding borrowings as of March 31, 2016.

Cherokee Nation Entertainment

Executive and Finance Report

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Budget Highlights

CNE

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$57,576	\$58,442	(\$866)	-1%
• Operating Expenses	Month -	\$35,540	\$37,179	\$1,639	4%
• EBITDA	Month -	\$22,036	\$21,263	\$773	4%

Operating Highlights

- CNE EBITDA of \$22.0 million in March was \$773,000 favorable to budget.
- Total revenue of \$57.6 million was \$866,000 unfavorable to budget. This was the result of a \$1.2 million unfavorable variance in non-gaming revenue. The unfavorable variance was mainly due to discontinuing fuel sales during construction at Outpost I and unfavorable variances in food and beverage and hotel revenue.
- Total operating expense of \$35.5 million was \$1.6 million favorable to budget. The favorable variance was due to lower than anticipated fuel costs of \$384,000, lower gaming related costs of \$475,000 and lower marketing related costs of \$469,000. Lower fuel costs were due to the previously mentioned discontinuation of fuel sales, which were budgeted for in the previous quarter. Employee costs were \$111,000 favorable to budget.
- The South Coffeyville Casino opened February 16th, 2015. The 17,000 square foot facility offers 300 games. The South Coffeyville casino opened ahead of the budgeted opening date of April 1st.
- 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, "The Cherokee Outlets."
- 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 casino opened May 19, 2015. As of December 15, 2015 all six floors of the hotel were open.
- 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 late 2016.

Capital Expenditure Highlights – Year to Date

- Expansion related costs for Roland, Cherokee Springs Business Park, OP1 rebuild, Grove and Tahlequah, Catoosa Hotel Lobby and Front Desk Renovations – \$22.1 million
- IGT Advantage NexGen Kits - \$1.4 million
- Cisco switches - \$208,000
- Surveillance Infrastructure Upgrade - \$606,000

Diversified Businesses

Executive and Finance Report

March 2016

EBITDA Budget Highlights

Diversified Businesses EBITDA

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Engineering & Manufacturing	Month -	(\$508)	(\$483)	(\$25)	-5%
• Logistics & Distribution	Month -	\$265	\$19	\$246	1303%
• Technology	Month -	\$532	\$313	\$219	70%
• Consulting	Month -	\$782	\$871	(\$90)	-10%
• Construction	Month -	\$256	\$212	\$44	21%
• Health Sciences	Month -	\$1,054	\$88	\$965	1096%
• Aerospace Products S.E.*	Month -	\$82	\$45	\$37	82%
• CCRC*	Month -	\$36	\$113	(\$77)	-68%

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

Operating Highlights

- Beginning in FY16, the former portfolios were re-organized into the following six sectors.
- **Engineering & Manufacturing** Sector EBITDA loss was \$508,000 and \$25,000 unfavorable to budget. The gross profit margin was 17.0%, which was slightly above budget and 5.7 percentage points lower than the prior year. The margin increase over budget was mainly associated with an increase in labor efficiency and lower headcount than originally budgeted offset by lower revenue.
- **Logistics & Distribution** Sector EBITDA of \$265,000 was \$246,000 favorable to budget. The favorable EBITDA variance was primarily due to increased deliveries on the Telecom SE Project and lower operating expenses. The gross profit margin of 4.8% was consistent with both budget and prior year due to the product mix.
- **Technology** Sector EBITDA was \$532,000 compared to a budget of \$313,000, resulting in a favorable variance of \$219,000. The favorable EBITDA for the month of March was primarily attributable to CNT's USDA and BIA projects and CSG's EPA project.
- **Consulting** Sector EBITDA was \$782,000 compared to a budget of \$871,000, resulting in an unfavorable variance of \$90,000. The 10.5% EBITDA margin was slightly favorable to a budgeted EBITDA margin of 9.3%. The EBITDA margin was favorable compared to budget primarily due to higher than expected gross margins realized on CNT's GEITA and USACE Omaha projects.
- **Construction** Sector EBITDA was \$256,000 compared to a budget of \$212,000, resulting in a favorable variance of \$44,000. The improvement in profitability compared to budget was mostly due to true-ups on several projects, including ELT Support Services, Adjunct Faculty Staffing and the Dover AFB roof repair.

Diversified Businesses (con't)

Executive and Finance Report

March 2016

- **Health Sciences** Sector EBITDA of \$1.1 million was \$965,000 favorable compared to a budget of \$88,000. The favorable variance was due to significantly lower costs than planned on CNA's DHA Management project.
- **APSE** net income was \$82,000 in March 2016 resulting in a favorable variance to budget of \$37,000. Revenue was \$139,000 favorable to budget due to delivering kit orders that were delayed in prior periods.
- **CCRC** net income of \$36,000 was \$77,000 unfavorable to a budget of \$113,000. The unfavorable net income variance was primarily due to fewer task orders on the Picatinny and USACE projects.

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Group: Financial Resources **Month/Year of Report:** April 2016

Treasurer: Lacey Horn **Phone:** 207-3902 **E-mail:** lacey-horn@cherokee.org

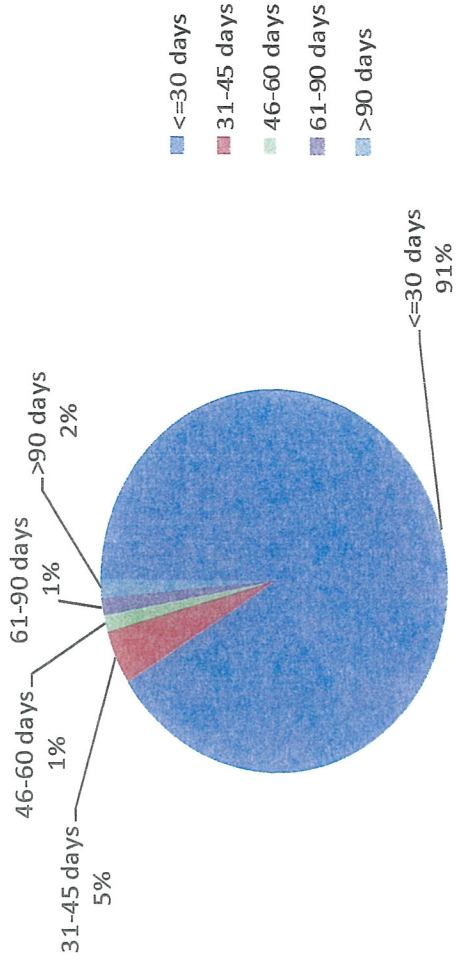
- I. Budget Highlights – through March
 - a.) Financial Resources – 50% spent
 - b.) Treasurer – 31% spent
 - c.) IIM – 55% spent
 - d.) Acquisition Management – 50% spent
 - e.) Records Management – 49% spent
 - f.) Support Services – 56% spent
 - g.) Grants Management - 40% spent
 - h.) Grant Development – 52%
 - i.) Fleet Management – 33%
 - j.) Employee Performance Incentive – 32% spent
- II. Program Highlights
 - a.) Balance Scorecard Measures
 - 1. Complete FY15 Audit – 100% Complete
 - 2. Obtain Unmodified Audit Opinion – 100% complete
 - 3. No Material Weaknesses on Single Audit – 100% complete
 - 4. Obtain GFOA Award for FY14 CAFR – 100% complete
 - 5. Reports completed & submitted by due dates – 100% complete for reports due 04/30/2016
 - b.) Accomplishments
 - 1. Staff attended Tribal Self Governance Conference
 - 2. FY 2015 Single Audit completed
 - c.) Upcoming Events
 - 1. Annual Financial Resources Training – May 19th

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Cherokee Nation Acquisition Management Year-To-Date Report Over \$5,000 Transactions October 1, 2015 through September 30, 2016		% of sub-total - TERO vendor submitted Bid
Award to TERO Vendor	\$ 12,951,301.09	98.47%
Award to non-TERO Vendor	\$ 200,832.16	1.53%
Sub-total bids with a TERO vendor participating	\$ 13,152,133.25	100.0%
Bid - no bids submitted by TERO Vendors	\$ 3,548,257.45	
October 1, 2015 through March 31, 2016		

COUNCIL OF THE CHEROKEE NATION
 EXECUTIVE & FINANCE COMMITTEE REPORT

Timeliness of Paid Invoices



Row Labels	APP-INVOICE-2	APP-TRAN-PMT-AMT-7
<=30 days	45,253	62,148,035.06
31-45 days	2,248	6,842,795.48
46-60 days	693	3,259,875.37
61-90 days	715	2,044,389.28
>90 days	797	2,206,097.66
Grand Total	49,706	76,501,192.85

Group: Career Services-Executive and Finance Month/Year of Report: April, 2016

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

I. Budget Highlights – Please refer to Monthly Financial Report

None

II. Program Highlights

a. Balanced Scorecard Measures

<i>Activity</i>	<i>March</i>	<i>YTD</i>	<i>Goal</i>	<i>% of Goal</i>
<i>HSE Completions – includes individuals completing and receiving a High School Equivalency or High School Diploma from Talking Leaves Job Corps and Career Literacy.</i>	17	84	175	48.0%
<i>Training Completions – includes individuals receiving a nationally-recognized certification, credential, or degree while enrolled in one of 11 different vocational training programs.</i>	52	323	550	58.7%
<i>Employment Completions – includes individuals who completed a Work Experience or TERO OJT assignment.</i>	36	147	500	29.4%
<i>Unsubsidized Placement – includes all individuals who entered unsubsidized employment (they got a job!) while enrolled in one of 15 different programs, both employment and vocational.</i>	119	605	750	80.7%
<i>Retention – includes individuals who were retained in their unsubsidized employment through assistance from a Career Services Program.</i>	31	184	300	61.3%
<i>Career Skills Training – includes individuals who completed the Life/Employment Skills Training.</i>	21	135	400	33.8%
<i>WorkKey Credentialing – includes individuals who received a bronze, silver, gold, or platinum WorkKeys credential.</i>	10	31	250	12.4%
<i>Job Bank – includes the number of new individuals entering the TERO Job Bank.</i>	43	218	400	54.5%

<i>Indian Owned Businesses</i> – includes the number of businesses newly certified as an Indian Owned Business.	8	68	200	34.0%
<i>Job Fairs</i> – includes the number of Job Fairs held by Career Services.	0	4	25	16.0%
<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.	2	14	50	28.0%

b. Accomplishments

1. Day Training had 22 participants enter unsubsidized employment. Of these, six were with Cherokee Nation, 13 were with CNB/CNI, and three were outside of Cherokee Nation.
2. Job Fair: March 4, 2016 Roland Casino and April 14, 2016 Hard Rock Tulsa Hotel and Casino.

Coming Home Re-entry Participant Success:

Arthur Gillum Jr. is a 46 year old Cherokee Citizen from Locust Grove, OK. He was released from incarceration on December 9, 2015. He had been incarcerated three times previously, but he was ready to turn his life around. A couple weeks after his release he came to the Career Services office requesting assistance from the "Coming Home" Re-entry program. He received \$250 to help him purchase clothing for job search. He stated he could obtain employment on his own.



A few days later he came in and had gained employment, but he needed help to acquire tools for his job. The Re-entry program helped with purchasing his tools for job security. He retained employment with one of our TERO vendors working here at the complex. He started out making \$14.00 an hour and within a two month period, he was given a raise to \$16.00 per hour. He was also given extra duties as a foreman for his crew.

While working 40+ hours a week and taking on the extra duties of foreman he was able to secure housing for himself and his son. He also purchased a pickup truck for getting back and forth to work. He stated, "It's not brand new, but it's new to me." He really appreciates all the help he received from the Cherokee Nation Re-entry Program to help him get his life started in a positive direction. He stated he is especially

thankful for the help he received getting his tools.

a. **Initiatives**

1. The Summer Youth Employment Program will begin in June.

