



CHEROKEE NATION™
Businesses

Executive and Finance Report
Consolidated Financial Information
May 2013

Cherokee Nation Businesses

Executive and Finance Report

May 2013

Budget Highlights

- May 2013 CNB consolidated net income of \$8.0 million was 23% unfavorable to a budget of \$10.4 million.
- CNE net income of \$8.5 million was \$2.1 million lower than budget. Lower than budgeted revenue of \$818,000 in addition to higher than budgeted expenses related to increased employee expense as well as costs related to the widening project of Highway 75 near Ramona drove the variance.
- The Technology Portfolio experienced net income of \$433,000, which was 16.0% above budget due to higher than budgeted awarded contracts.
- CNB Parent company net loss of \$587,000 was \$235,000 unfavorable to budget. The budget variance was driven by unrealized profits from the purchase of new, diversified businesses. The budget included \$250,000 in additional profits due to investments in new businesses. As the strategic direction has changed, those profits will not be realized for the remainder of the year.
- Combined, all other entities were below budget.

Capital Expenditures

May YTD capital expenditures were \$48.7 million for all entities.

- CNE: \$55.9 million – Expansion related costs for construction at Catoosa, Ramona, and Ft. Gibson
- CPM: \$6.1 million – Purchase of American Woodmark Building in Tahlequah (\$5.3mm), Health Clinics (\$801k)
- CNB: \$1.0 million – Deltek Gov't Accounting Software, IT Equipment
- CNCS: \$67,000 – New Vehicles
- CNI: \$264,000 – Machining Equipment, Forklift, Sales Tax Software, Mechanical Relocation (CNRW)
- CNSD: \$46,000 – Cargo Van
- IT Portfolio \$116,000 – Office Furniture for San Antonio Offices & new server, 2005 Astro Van

Financing

- CNB has no outstanding borrowings as of May 31, 2013.

Cherokee Nation Entertainment

Executive and Finance Report

May 2013

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$47,215	\$48,033	(\$818)	-2%
• Operating Expenses	Month -	\$34,601	\$33,225	\$1,376	4%
• Net Income	Month -	\$8,484	\$10,534	(\$2,050)	-19%

Operating Highlights

- CNE net income of \$8.5 million in May was \$2.1 million unfavorable to budget.
- Total revenue of \$47.2 million was \$818,000 unfavorable to budget due to higher than budgeted promotional allowances and lower than budgeted gaming revenue.
- Total operating expense of \$34.6 million was 4% unfavorable to budget primarily due to higher gaming related expense as well as costs associated with the Highway 75 construction project near Ramona.
- The new hotel tower at Catoosa is now completely opened.
- The Choctaw casino in Pocola expanded its gaming floor from 1,400 to 2,500 games. This could negatively affect gaming activity at the Roland casino.
- The Creek Casino in Tulsa is planning a \$250 million expansion including a 500-room hotel tower, new casino and restaurant, pool bar, theater and event center, with an expected completion date of early 2015.

Capital Expenditure Highlights

- Catoosa Casino 3 Rebuild - \$25.0 million
- Ramona Casino - \$3.5 million
- Ft. Gibson Casino - \$10.2 million
- Cherokee Springs Golf Course & improvements - \$9.0 million
- S Coffeyville Casino & Land - \$523,000



Cherokee Nation Industries

Executive and Finance Report

May 2013

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$5,021	\$4,997	\$24	0%
• Operating Expenses	Month -	\$5,315	\$5,253	\$62	1%
• Net Income	Month -	(\$379)	(\$332)	(\$46)	14%

Operating Highlights

- Net loss was \$379,000 compared to a budgeted net loss of \$332,000.
- CNI's revenue totaled \$5.0 million in May 2013 which was consistent with budget.
- Total operating expenses of \$5.3 million was 1% above budget.
- Manufacturing continues to perform below budget and was partially offset by higher profitability in Distribution Services.

Technology Portfolio

Executive and Finance Report

May 2013

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$9,079	\$7,789	\$1,290	17%
• Operating Expenses	Month -	\$8,501	\$7,296	\$1,206	17%
• Net Income	Month -	\$433	\$373	\$60	16%

Operating Highlights

- The IT Portfolio generated revenue of \$9.1 million compared a budget of \$7.8 million.
- May EBITDA was \$578,000 compared to budgeted EBITDA of \$493,000. The May EBITDA margin of 6.4% was consistent with budget.
- CSG and CNT revenue of \$3.3 million was favorable to prior year by \$136,000. The variance was attributable to additional contract opportunities being awarded.
- CNGS and CNTS revenue of \$5.7 million was \$1.8 million favorable to budget. The favorable budget variances are due to higher than anticipated contract volume during FY13.
- CSG submitted a proposal to the U.S. Geological Survey Nation for scientific support services for the earth resources observation and science center. This proposal is valued at \$13 million over 5 years.
- CNA was awarded a new contract with the Southwestern Power Administration to begin work in June 2013. This contract is a firm fixed price contract with a base year and four option years. Total value of the contract is \$1.6 million.

Other Diversified Businesses

Executive and Finance Report

May 2013

Net Income Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• CNSD	Month -	(\$17)	\$100	(\$117)	-117%
• CNCS	Month -	\$130	\$52	\$78	150%
• Mobility Plus	Month -	(\$64)	\$57	(\$121)	-213%
• CMS / CNHS	Month -	\$7	(\$18)	\$24	-138%
• Aerospace Products S.E.	Month -	(\$21)	(\$3)	(\$18)	600%
• CCRC	Month -	\$53	\$194	(\$141)	-73%

Operating Highlights

- **CNSD** net loss of \$17,000 was unfavorable to a budgeted net income of \$100,000. Decreased activity in the CNRW, AMCOM, and SAMD contracts contributed to lower than budgeted net income.
- **CNCS** resulted in a net income of \$130,000, which was favorable to budgeted net income of \$52,000. The unfavorable variance was due to higher than budgeted activity on the Dover AFB contracts.
- **Mobility Plus** resulted in a net loss of \$64,000 compared to budgeted net income of \$57,000. The budget variance was primarily the result of lower than anticipated revenue of \$199,000.
- **CMS / CNHS** resulted in a net income of \$7,000 compared to a budgeted net loss of \$18,000. Higher revenue and better margins contributed to the favorable budget variance.
- **APSE** net loss of \$21,000 in May 2013 compared to a budgeted net loss of \$3,000. Lower revenue and higher employee cost contributed to the unfavorable budget variance.
- **CCRC** net income of \$53,000 was unfavorable to a budget of \$194,000. Gross Margins were lower than budget due to the concentration of construction revenue during the month, which have lower margins, as a percent of total revenue. May 2013 revenue was \$2.7 million compared to budget of \$1.8 million. Higher revenue was the result of revenue recognized on the Picatinny construction projects and on the BIA dormitory project. In addition revenue was recorded on a Puerto Rico surveillance camera system during the month.

Group: Career Services-
Employment Month/Year of Report: June, 2013

Group Leader: 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>May</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.	26	201	250	80.4%
<i>Training Completions</i> – includes individuals receiving a nationally-recognized certification, credential, or degree while enrolled in one of 11 different vocational training programs.	42	332	450	73.8%
<i>Employment Completions</i> – includes individuals who completed a Work Experience or TERO OJT assignment.	8	64	300	21.3%
<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.	92	604	500	120.8%
<i>Retention</i> – includes individuals who were retained in their unsubsidized employment through assistance from a Career Services Program.	21	233	200	116.5%
<i>Job Readiness Training</i> – includes individuals who completed the Life/Employment Skills Training.	0	131	500	26.2%
<i>WorkKey Credentialing</i> – includes individuals who received a bronze, silver, gold, or platinum WorkKeys credential.	34	232	500	46.4%
<i>Job Bank</i> – includes the number of new individuals	21	179	1,000	17.9%

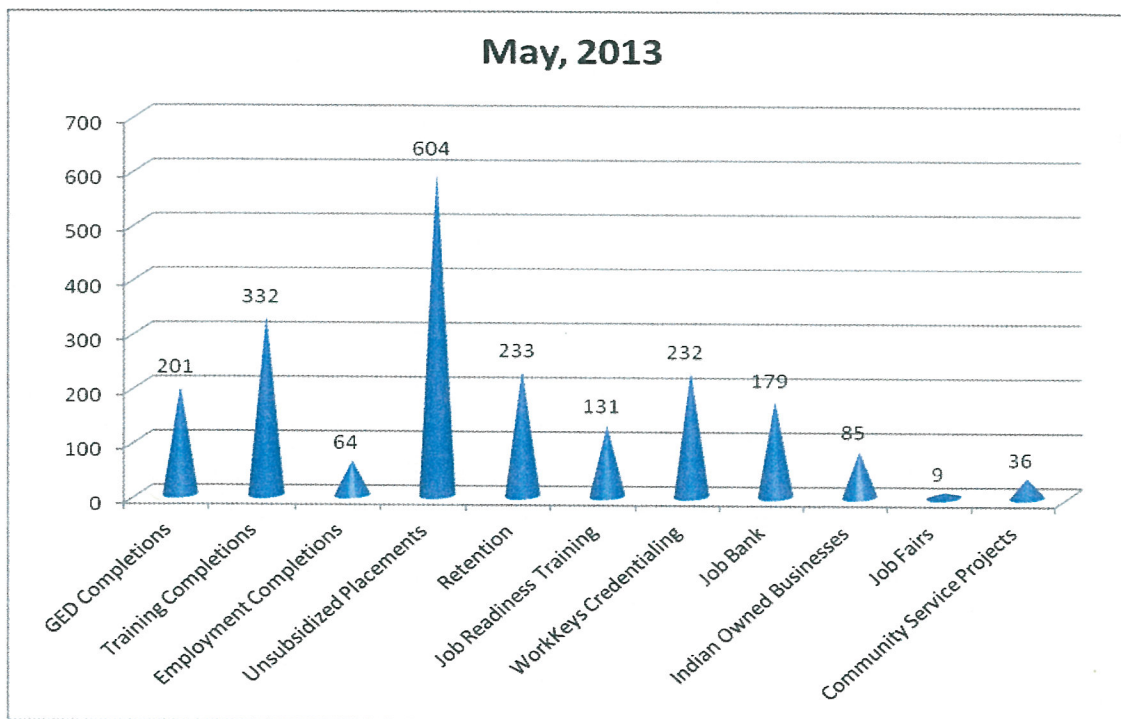
entering the TERO Job Bank.				
<i>Indian Owned Businesses</i> – includes the number of businesses newly certified as an Indian Owned Business.	15	85	100	85%
<i>Job Fairs</i> – includes the number of Job Fairs held by Career Services.	1	9	15	60%
<i>Community Service Projects</i> – this is the number of Community Service Projects completed by youth, both through the Summer Youth Employment Program and Talking Leaves Job Corps.	2	36	50	72%

b. Accomplishments

1. The Day Training Program had 25 participants enter unsubsidized employment, nine at Cherokee Nation and 11 at CNB/CNI.
2. Staff coordinated a Job Fair for CNB at the Hard Rock Hotel and Casino on June 20. There were 134 individuals in attendance.
3. TED OJT has employed 14 participants at Celefoam in Sallisaw. Two have become supervisors.

c. Initiatives

1. Staff continue planning meetings for upcoming NCAI Annual Convention.
2. Cherokee Nation TERO is hosting the National TERO Conference June 30 – July 3, 2013 at the Hard Rock Hotel and Casino.



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

Month/Year of Report: June 2013

Program Highlights

a. Balanced Scorecard Measures

Objective	Metric	2012 Goal	Year to Date Achievement Notes/Comments
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	500/100%	28/100%
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	75%	75.71% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> • CNE – 65.56% • CN Government - 93.69% • Health Entities – 95.99% • CNI – 41.17% • Waste Management - 100%
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB - CN – 82.9% Health - CNI – CRC – Aerospace -	Business Entities - 76.55% <ul style="list-style-type: none"> • CNE (CNE, CHL, WRD, CNSS) 75.47% • CNB (CNB, CNT, CSG) 71.43% • CN Government 81.89% (does not include IPA/MOA) • Health Entities 48.32% • CNI 78.63% (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	80	85
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	300/95%	241/100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	23.00% - Dollar Amount Loaned out 26.00% - Number of Loans
Effective Usage of Fees Collected	# Trained	100	38
Effective Monitor of Work Sites – Construction and Housing	# Monitoring Visits	90%	100% - 2,214 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	100% - 77
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 8 complaints filed; 4 resolved, 4 pending EEOC: 0 complaint filed; 0 resolved, 0 pending

b. Notable accomplishments:

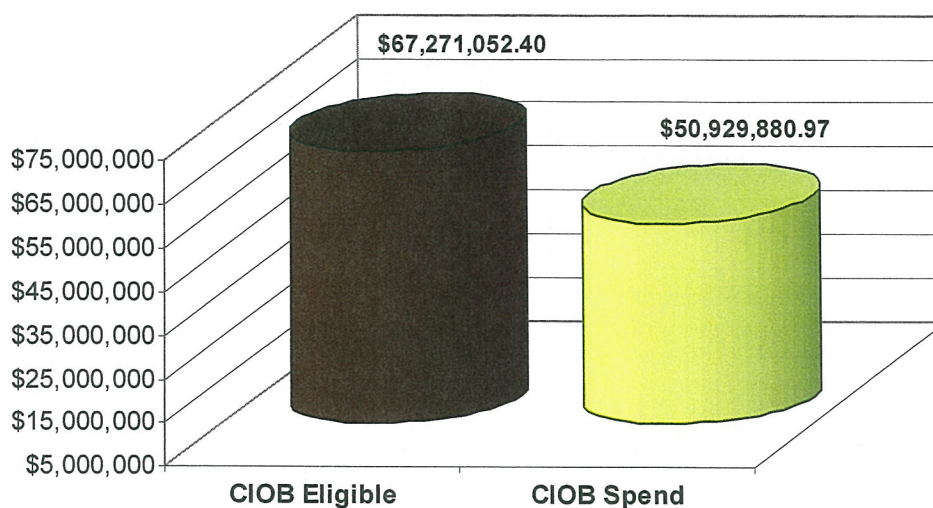
1. TERO completed **22 trainings** for CNE/CNB on the **new TERO law**.

c. Future plans/new initiatives:

1. Partner with Education Services to hold **Youth Entrepreneurship Day in the northern counties** of the Cherokee Nation.
2. TERO will continue to hold more training with CN businesses on the **new TERO law**.
3. TERO met with Southern Plains Tribes to prepare for hosting the **National TERO Conference** on June 30-July 3rd.
4. **Electronic notification to TERO certified Indian-owned businesses** when a procurement opportunity they qualify for posts on www.cherokeebids.org. Notification will be through email and text messaging. The first step in coding vendors has been complete and Information Systems is working on the notification. Training for departments and testing should be completed this summer with full implementation before the end of the fiscal year.

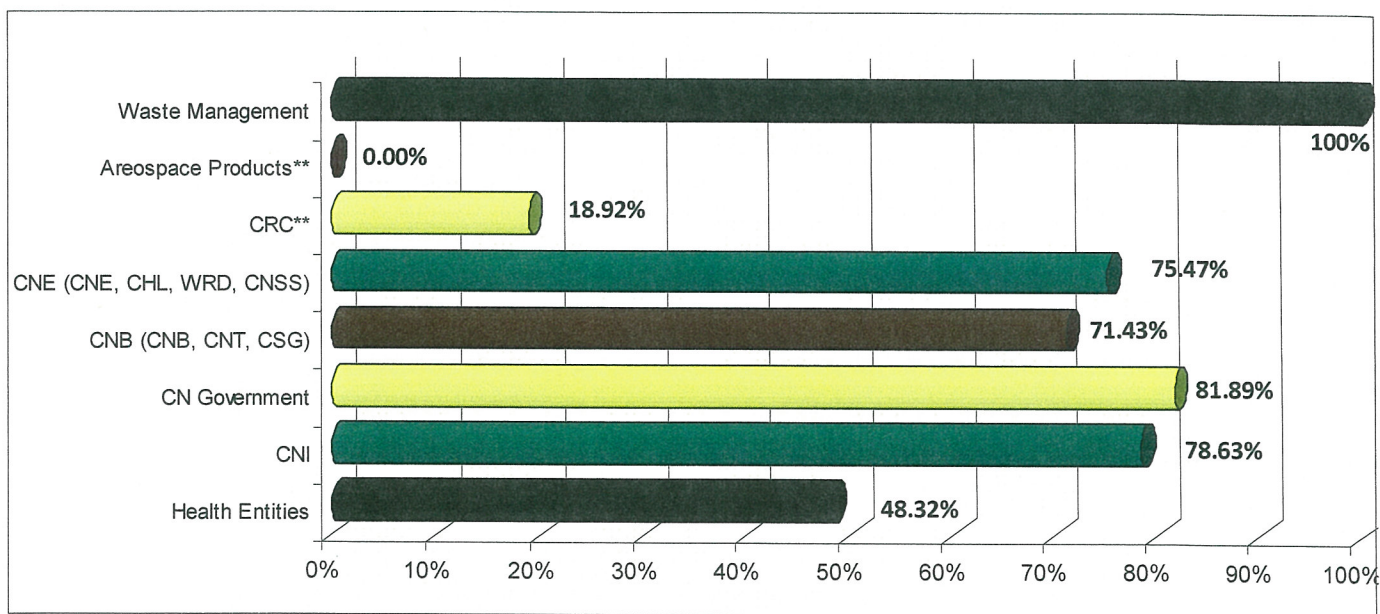
Business/Entrepreneur Workshops			
Date	Location	Time	Workshop
June 30–July3	National TERO Conference	TBD	TBD
July 10	REI NABEC Office, Tulsa	8:30 am – 4:00 pm	Comprehensive QuickBooks
July 11	NSU Tahlequah	5:30 pm – 7:30 pm	Microsoft Word – Formatting
July 17	NSU Muskogee	6:00 pm – 8:00 pm	Microsoft Power Point Presentations
July 25	NSU Tahlequah	5:30 pm – 7:30 pm	Microsoft Excel – Formatting & Formulas
July 31	NSU Muskogee	6:00 pm – 8:00 pm	Microsoft Word – Formatting
July 31	ICTC Muskogee	11:30 am – 1:00 pm	Health Care Panel Discussion

75.71% of CIOB Eligible Procurement Opportunities were awarded to CIOBs



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

76.55% of Employees are registered Cherokee Nation Citizens



**Companies majority, not wholly, owned

Group: Commerce

Month/Year of Report: June 2013

Director: Anna Knight

Phone: 453-5532 Email: aknight@cherokee.org

Budget Highlights None

Program Highlights

a. Balanced Scorecard Measures

Objective	Metric	2013 Goal	Year to Date Achievement Notes/Comments
Investment in Economy	Loan Dollars	\$1,000,000	Commercial: \$1,372,670.87 **Record High** Approved Loans Pending Closing • None Pending Consumer: \$554,461.00 (485 loans)
Investment in Economy	Tourism Dollars		
	a) Community Tourism & Business Development	a) \$125,000	a) \$161,247.00 (all loans to artist & tourism)
	b) Tourism Business Income	b) \$50,000	b) \$26,314.50 (income to artists/communities)
Job Creation	a) # Small Business Jobs Created/Maintained	a) 100	a) 141 (108 Cherokee)
	b) Percentage Cherokee (or Cherokee Family) Employed	b) 100%	b) 76%
Effective Business Training	# Attendees and % Indicating usefulness	1,500/100%	2,211 / 100%
GN Holiday	a) % Increase Sponsorships	a) 5%	a) TBD
	b) % Increase in Community Games Participation/Holiday Cultural Events	b) 5%	b) TBD

b. Notable accomplishments

- Received notification of approval on USDA Rural Business Enterprise Grant for \$500,000 to increase commercial lending capacity and job creation.
- Commercial Loans Closed –YTD –** *Collinsville*-Oil (1), *Chewey*-Convenience Store (11); *Fort Gibson*- Trucking (4), *Hulbert*-Construction (5), *Muskogee*-Ag loan (1), Ag loan (1), *Owasso*-Insurance Agency (6),*Rose*- Ag loan (1) *Sallisaw*- Manufacturing (8) *Stillwell*-Daycare (2), Logging (9) Artist (2) *Tahlequah*- Recycling (6), Beauty Salon/Spa (8), Vet clinic (8)*, Restaurant (28), Convenience store (13), Cab company (4), Combining (2) *Tulsa*- Coffee Roaster (2), Landscaping (5), Trucking (11), *Vian*- Ag loan (2).

3. **Collateral for Commercial Loans Closed in March 2013 –**

Community	Loan Purpose	Project Costs	Loan Amount	Collateral Discounted Value	Owners Equity	Jobs
Collinsville	Oil Well Business	\$30,000	\$16,000	1 st mortgage/equipment=\$25,537	15%	1

- Charged Off Loans –** Commercial: YTD Total – \$0.00, Consumer: YTD Total – \$0.00
- Cherokee Arts Center Gallery Spider Gallery** Grand Opening set for July 31 at 11 am.

Future plans/new initiatives

1. **Artists as Entrepreneurs:**

- a. Working with the Bradford Exchange to test the market for a **Cherokee coin series**. Still in discussion stages. Anticipated outcomes of this project are a revenue stream for the Cherokee Arts Center and income for local Cherokee artists.
- b. Entering into discussions with **Oklahoma Israel Exchange regarding cultural exchange and commercial marketing distribution channels** for Cherokee artists.
- c. Entering discussions with the **Jewish Federation of Tulsa** to discuss marketing distribution channels for Arts Gallery and Cherokee artists.
- d. **Arts of the Avenue** was a success with **25 Cherokee artists and 2 Youth Cherokee artists**, 2 non-Cherokee artists, and 18 non-Native artists with 2 non-Native youth artists. In addition to artists, the event had **3 Cherokee food vendors** (2 of which were TERO), 2 non-Native food vendors, **8 Cherokee musicians**, 2 Native musicians, and 10 non-Native musicians performed.

2. Entrepreneurship Competitions:

- a. **Youth Entrepreneur Day** will be scheduled for Tahlequah and we are working with Rogers State University Innovation Center to coordinate a second day in the northern counties to encourage more widespread competition.
- b. **Entrepreneurship Competition** for adults is under design. We will be seeking vendor sponsorship for this event and anticipate cash prizes to start or expand a business. This event will be held in conjunction with similar events throughout the state in the fall 2013.

Lending \$'s Available (pending and approved/pending applications not considered)

▪ IRP:	\$575,460.96	▪ CDFI:	\$26,870.00
▪ Commercial:	\$98,068.00	▪ Consumer Lending:	\$348,187.00

Based on April bank statements

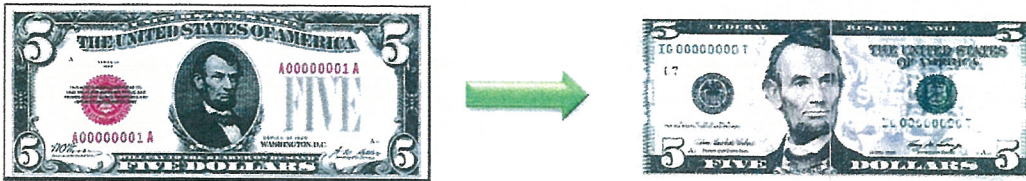
Please note in the commercial account we currently have approximately \$700,000 in available commercial funds and receive approximately \$75,000 in monthly payments. As of June 7, we have approximately 1.2 million in pending loan requests, some of which are likely to be approved in the next month. If this increased need for small business financing continues, we will likely have to reduce maximum loan amounts and prioritize funding.

Business/Entrepreneur Workshops			
Date	Location	Time	Workshop
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US Labor Department's Office of Disability Employment Policy announces National Disability Employment Awareness Month October 2013

Everybody's fighting some kind of stereotype, and people with disabilities are no exception. The difference is that barriers people with disabilities face begin with society's attitudes --- attitudes often rooted in misinformation and misunderstandings.

People with disabilities are the largest minority group in the nation and are uniting as an economic and social power. Individuals with disabilities are neighbors, friends, classmates, family members and co-workers. The power is great...we've changed the face of dollar bills:



We helped pass the Civil Rights Act of 1964. AND we've made society better for everyone, not just people with disabilities. For example:

- ⇒ Curb cuts designed for wheelchair users are also used by people with baby carriages, delivery people, traveling/airline passengers with luggage, and people on skateboards and roller blades, etc.
- ⇒ Automatic door openers (like those you use to enter/exit Wal-Mart);
- ⇒ Garage door openers;
- ⇒ Remote control for televisions, air conditioners, radio/stereo, etc.



Benefits of vocational rehabilitation services include increased earnings, reduced public assistance use and costs, and increased tax contribution. Other benefits include increased consumer spending and economic stimulation occurring as a result of a consumer going to work. **For every dollar spent on VR services, \$21 dollars are returned to society.**

(source: Florida Business Leadership Network Cost Benefit Analysis).

Your Cherokee Nation Vocational Rehabilitation Program's success and its' impact:

- ✓ 93% consumers working in a full time job (VR grant period ending 2010);
- ✓ Average hourly earnings = \$15.35; average annual earnings = \$31,928;
- ✓ **Return-On-Investment is an overall total economic impact of \$22,914,255.**

People with disabilities go to school, get married, work, have families, do laundry, grocery shop, laugh, cry, pay taxes, get angry, have prejudices, vote, plan, and dream...just like everyone else.



Please join the Cherokee Nation Vocational Rehabilitation Program in celebrating Disability Employment Awareness Month October 2013