

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Group: Financial Resources

Month/Year of Report: June 2014

Treasurer: Lacey Horn

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- I. Budget Highlights – through May
 - a.) Financial Resources – 60% spent
 - b.) Treasurer – 47% spent
 - c.) IIM – 63% spent
 - d.) Acquisition Management – 61% spent
 - e.) Records Management – 58% spent
 - f.) Support Services – 69% spent
 - g.) Employee Performance Incentive – 100% spent
- II. Program Highlights
 - a.) Balance Scorecard Measures
 1. Complete FY13 Audit – 100% complete
 2. Obtain Unqualified Audit Opinion – 100% complete
 3. No Material Weaknesses on Single Audit – 100% complete
 4. Obtain GFOA Award for FY12 CAFR – 100% complete
 5. Reports completed & submitted by due dates – 100% complete for reports due by 6/30/2014.
 - b.) Accomplishments
 1. Attended How To Prepare For DOL Audit
 2. Attended HUD Procurement Training
 3. Provided cash handling trainings for Dental Clinics Crown Program – June 24th
 4. Provided requisition entry training for multiple departments
 5. Single Audit Readiness and Survival Training – June 5

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Cherokee Nation Acquisition Management Year-To-Date Report Over \$5,000 Transactions October 1, 2013 through September 30, 2014		% of sub-total TERO vendor submitted Bid
Award to TERO Vendor	\$ 12,526,934.90	83.58%
Award to non-TERO Vendor	\$ 2,461,837.66	16.42%
Sub-total bids with a TERO vendor participating	\$ 14,988,772.56	100.0%
Bid - no bids submitted by TERO Vendors	\$ 2,230,669.86	
October 1, 2013 through May 31, 2014		



CHEROKEE NATION™
Businesses

Executive and Finance Report
Consolidated Financial Information
May 2014

Cherokee Nation Businesses

Executive and Finance Report

May 2014

Budget Highlights

- May 2014 CNB consolidated net income of \$10.1 million was 6.7% favorable to a budget of \$9.5 million.
 - The CNB Parent Company incurred a \$2.2 million loss related to the divestiture of Mobility Plus in May 2014.
 - Normalized, without this loss, net income would have been 30.1% favorable to budget.
- CNE EBITDA of \$18.0 million was \$2.6 million favorable to budget. Higher than budgeted revenue of \$3.6 million drove the positive variance.
- Technology Portfolio EBITDA of \$1.5 million was \$617,000 above budget. The budget variance was driven by positive revenue adjustments taken at the end of some larger firm fixed price contracts.
- Construction Services EBITDA loss of \$398,000 was \$514,000 unfavorable to budget, which was driven by higher than anticipated cost of goods sold on various contracts.

Capital Expenditures

May YTD capital expenditures were \$32.3 million for all entities.

- CNE: \$18.2 million
 - Expansion: \$6.2 million – Casino III Hard Rock rebuild, South Coffeyville, Cherokee Springs, WSS Langley Prop Purchase
 - Strategic: \$8.0 million – Roland Structural Improvements, Cherokee Tower Renovation, E-game purchase, Currency Counters
 - Maintenance - \$4.0 million
- CPM: \$7.3 million – Health clinic construction / expansion.
- CNB: \$4.8 million – IGT Advantage Enterprise upgrade, IT virtualization.
- CNCS: \$177,000 – Purchase new vehicles.
- CNI: \$259,000 – Relocate Mazak laser from Kellyville to Pryor and maintenance costs, Ditmo Test Unit (CND A&D)

Financing

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

Cherokee Nation Entertainment

Executive and Finance Report

May 2014

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$52,279	\$48,729	\$3,550	7%
• Operating Expenses	Month -	\$34,245	\$33,286	(\$959)	-3%
• EBITDA	Month -	\$18,034	\$15,442	\$2,592	17%

Operating Highlights

- CNE EBITDA of \$18.0 million in May was \$2.6 million above budget.
- Total revenue of \$52.3 million was \$3.5 million above budget.
- All of the CNE properties, except Will Rogers Downs, experienced a positive impact to revenue as a result of higher than anticipated gaming revenue.
- Total operating expense of \$34.2 million was \$959,000 unfavorable to budget. The primary driver was an increase in gaming costs directly related to higher gaming revenue.
- The Choctaw casino in Pocola expanded its gaming floor from 1,400 to 2,500 games and added a 130 room hotel tower.
- 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 2015.
- The United Keetoowah Band of Cherokees (UKB) casino was ordered to cease operations as of August 30, 2013.

Capital Expenditure Highlights – Year to Date

- Expansion related costs for Tahlequah, South Coffeyville, Catoosa, and WSS Langley Purchase – \$6.2 million
- Currency Counters - \$1.4 million
- Cherokee Tower Renovation - \$1.5 million
- Route 66 Diner at Hard Rock - \$1.2 million
- Roland Structural Improvements - \$650,000
- Install of Micros Symphony (F&B System) - \$376,000
- LED light conversions - \$378,000
- Revolving Doors at Catoosa - \$278,000
- eGame Purchases - \$277,000
- Cage remodel at Catoosa - \$267,000

Cherokee Nation Industries

Executive and Finance Report

May 2014

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$5,259	\$5,794	(\$535)	-9%
• Operating Expenses	Month -	\$5,785	\$6,160	\$376	6%
• EBITDA	Month -	(\$526)	(\$367)	(\$159)	-43%

Operating Highlights

- EBITDA loss of \$526,000 was \$159,000 unfavorable to budget. The negative variance was driven by lower than expected profitability in the Manufacturing and Distribution Services Divisions of \$70,000 and \$80,000, respectively.
- CNI's revenue totaled \$5.3 million, which was \$535,000 below budget. This was driven by lower than budgeted revenue in Distribution Services of \$436,000 and Manufacturing of \$140,000.
- Total operating expenses of \$5.8 million were \$376,000 lower than budget, primarily driven by lower cost of goods sold associated with lower revenue.

Technology Portfolio

Executive and Finance Report

May 2014

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$11,455	\$10,030	\$1,425	14%
• Operating Expenses	Month -	\$9,990	\$9,181	(\$808)	-8%
• EBITDA	Month -	\$1,466	\$849	\$617	73%

Operating Highlights

- The IT Portfolio generated revenue of \$11.5 million compared a budget of \$10.0 million.
- May EBITDA was \$1.5 million compared to budgeted EBITDA of \$849,000. The variance was the result of positive revenue adjustments taken at the end of some larger firm fixed price contracts. As these contracts close out, additional revenue is recognized at a higher rate than cost.
- CSG and CNT revenue of \$2.7 million was unfavorable to budget by \$1.1 million. The budget variance was due to contract opportunities not being awarded.
- CNGS, CNTS, and CNMC revenue of \$8.6 million was \$2.6 million favorable budget. The favorable budget variance was attributable to the timing of revenue recognition on some firm fixed price contracts.

Other Diversified Businesses

Executive and Finance Report

May 2014

EBITDA Budget Highlights

	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• CNSD	Month -	\$69	\$127	(\$58)	-46%
• Construction	Month -	(\$398)	\$116	(\$514)	-444%
• Mobility Plus	Month -	(\$129)	\$50	(\$178)	-139%
• CMS / CNHS	Month -	(\$81)	\$9	(\$91)	-112%
• Aerospace Products S.E.*	Month -	\$0	\$33	(\$33)	-100%
• CCRC*	Month -	\$136	\$452	(\$316)	-70%

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

Operating Highlights

- **CNSD** EBITDA of \$69,000 was \$58,000 unfavorable to budget. This was primarily due to lower than expected activity on the SAMD contract and lower than budgeted profitability on the CNSD IRS contract.
- **Construction** EBITDA loss of \$398,000 was \$514,000 unfavorable to budget. The unfavorable variance was driven by additional cost related to contract extensions on the renovation of Facility 722 at DAFB and higher than budgeted cost for the roof replacement at C&S Grocers in Hawaii.
- **Mobility Plus** resulted in an EBITDA loss of \$129,000 compared to budgeted EBITDA of \$50,000. The budget variance was driven by lower than budgeted revenue of \$498,000. The primary driver of lower than anticipated revenue is the continued loss of patients to Competitive Bid in the Tulsa market.
- **CMS / CNHS** resulted in an EBITDA loss of \$81,000 which was unfavorable to budget by \$91,000. Profitability was unfavorable to budget due to a revenue decrease on a contract with the Army that was caused by scheduled hours not meeting the contract target for several months.
- **APSE** net income was break-even compared to a budget of \$33,000. Lower revenue of \$345,000 was offset by lower total operating expense.
- **CCRC** net income of \$136,000 was \$316,000 unfavorable to budget. Lower revenue due to a reduction of activity on the BIA construction project drove the unfavorable variance.

Group: Career Services-Employment Month/Year of Report: June, 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>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.	8	137	250	54.8%
<i>Training Completions</i> – includes individuals receiving a nationally-recognized certification, credential, or degree while enrolled in one of 11 different vocational training programs.	20	320	450	71.1%
<i>Employment Completions</i> – includes individuals who completed a Work Experience or TERO OJT assignment.	10	105	300	35.0%
<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.	66	655	500	130.0%
<i>Retention</i> – includes individuals who were retained in their unsubsidized employment through assistance from a Career Services Program.	19	145	200	72.5%
<i>Job Readiness Training</i> – includes individuals who completed the Life/Employment Skills Training.	10	131	250	52.4%
<i>WorkKey Credentialing</i> – includes individuals who received a bronze, silver, gold, or platinum WorkKeys credential.	0	74	500	4.8%
<i>Job Bank</i> – includes the number of new individuals entering the TERO Job Bank.	19	144	500	28.8%
<i>Indian Owned Businesses</i> – includes the number of businesses newly certified as an Indian Owned Business.	19	83	100	83.0%

<i>Job Fairs</i> – includes the number of Job Fairs held by Career Services.	1	6	15	40.0%
<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.	9	46	50	92.0%

b. Accomplishments

1. Career Services received notification from the Department of Labor of grant approval for the Job-Driven National Emergency Grant funding in the amount of \$3,700,037. This is \$175,000 more than we requested. The grant is a two-year program, providing OJT, Vocational Training, Welding Fast-Track Apprenticeship Training, and additional slots for our Child Care, Business Technology, and Building Trades Programs.
2. In May, 33 Day Training participants entered employment; 16 with Cherokee Nation, 13 with CNB/CNI, and four with outside employers.
3. Attached is information on planned Job Fairs.

c. Initiatives

1. We will be working on startup of the new Job-Driven National Emergency Grant (JD-NEG).
2. TERO staff will be working with BIA Forestry and the US Forest Service to administer a more successful firefighting program.
3. We will begin moving into the new Pryor field office in Mid America Industrial Park located next door to CNI. We plan to start the move the first part of July.
4. We will begin the move to the new Tulsa Career Services office across the street from CNB Corporate office – Interchange Building off of Pine / Marshall. This will also take place first part of July.
5. We will not officially be open for business until all arrangements are made with IT, phones, furniture, and staffing, which we are currently working on.

Commerce Group

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

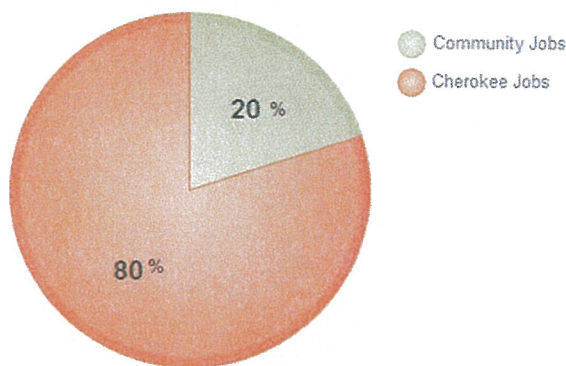
Anna Knight, Executive Director
 918-453-5532
 anna-knight@cherokee.org

Economic Impact

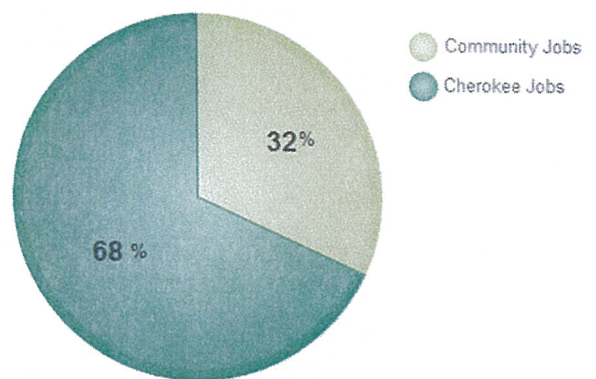
Jobs Created or Retained in Local Communities

Private sector jobs created or retained through small business lending

Community Jobs Created or Retained
 Five Year Period 2010-2014 - 622 Total Jobs

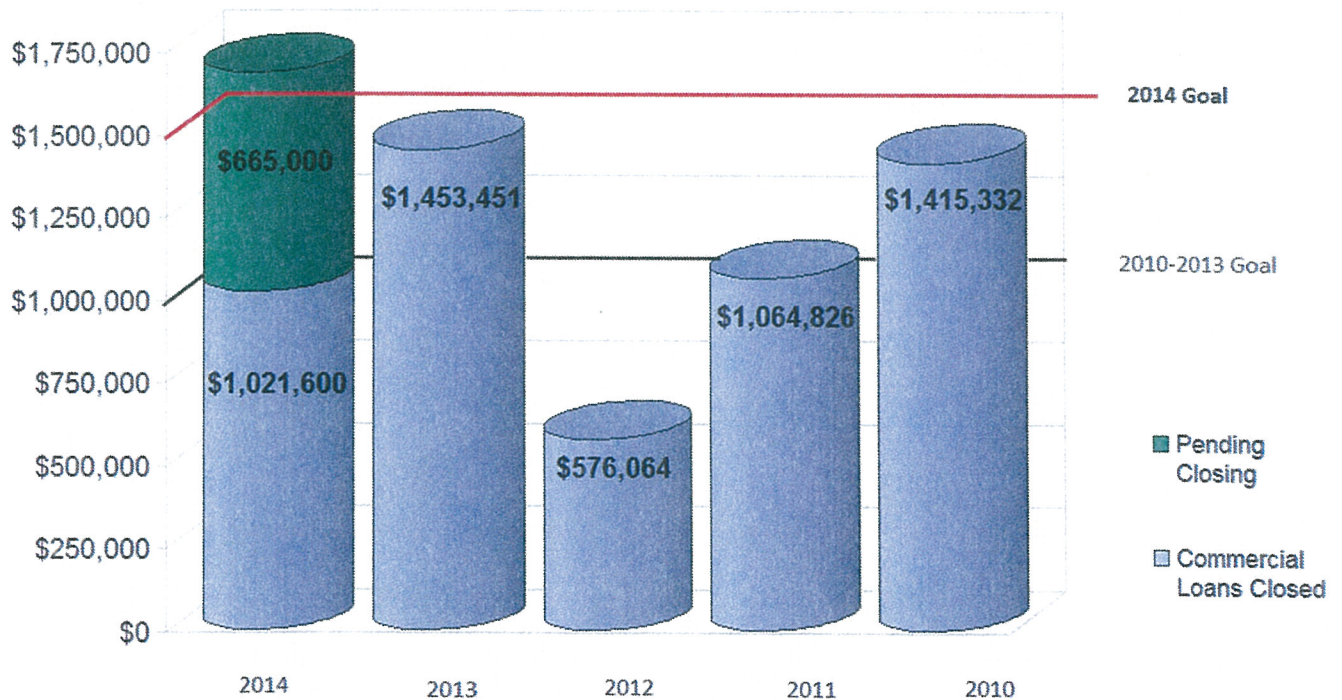


Community Jobs Created or Retained
 Current Year to Date - 89 Total Jobs

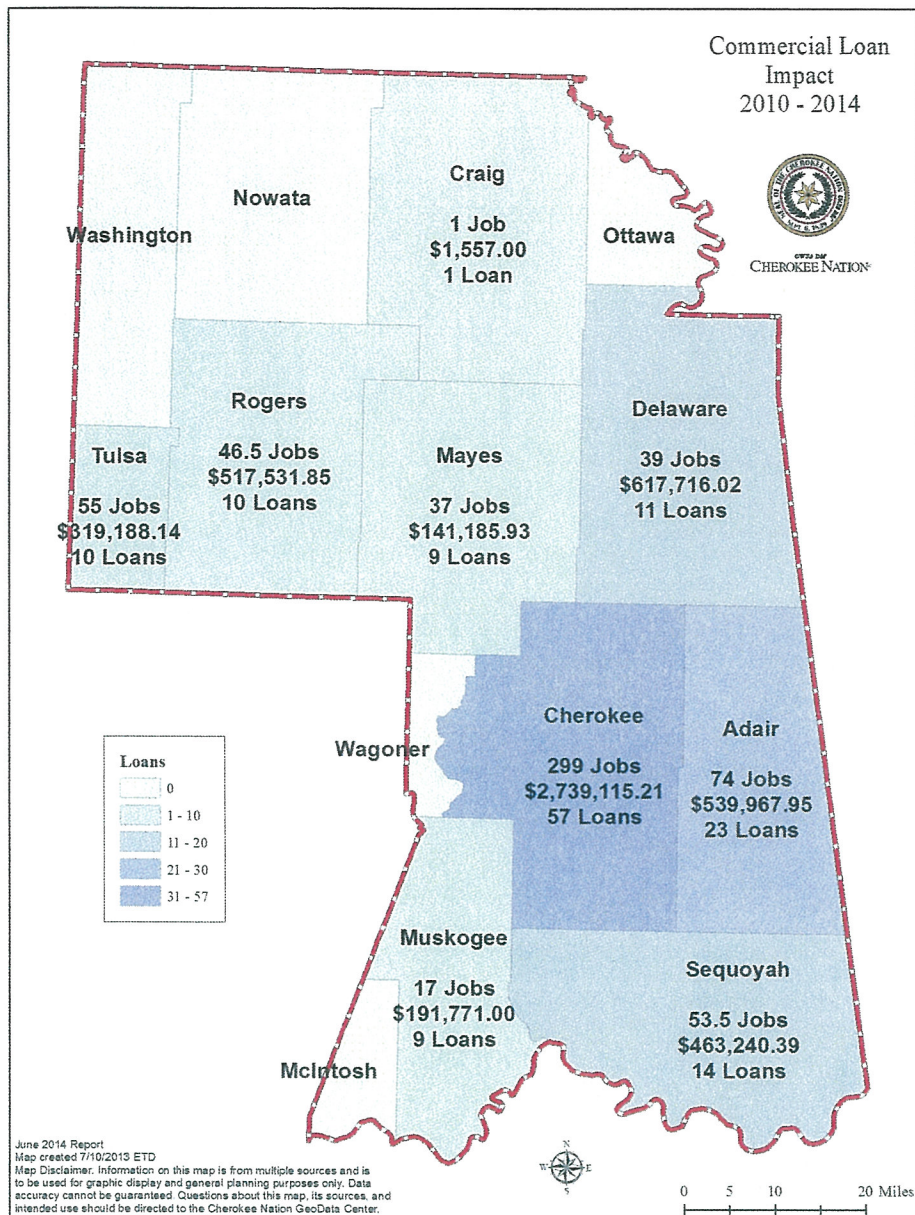


Economic Investment in Local Communities

Business loans made for startup or expanding businesses



Commercial Lending Impact, by County, 2010 through June 2014



Commercial Collateral loans closed May 2014

Community	Loan Purpose	Project Costs	Loan Amount	Collateral Discounted Value	Owner Equity	Jobs
Gore	Equipment	\$33,500.00	\$33,500.00	Lien on Truck/UCC tractor=\$37,375	0%	2

Available Lending Capital

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

▪ IRP:	\$437,504.76	▪ CDFI:	\$716,632.58
▪ Commercial:	\$168,032.72	▪ Consumer Lending:	\$374,002.12

Based on Bank Statements ending June 30, 2014

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
July 16	Tulsa	1:30 pm – 3:00 pm	Internet Security Secrets
July 17	Muskogee	8:30 am – 4:00 pm	Comprehensive QuickBooks
September 22-23	Oklahoma City	TBD	OK Workers' Compensation Educational Conference
October 7	NSU	8 am – 5 pm	6 th Annual NORA Regional Summit

NOTEWORTHY

Planning is underway for the **6th Annual Northeast Oklahoma Regional Summit**. The Summit will be held **October 7** at Northeastern State University.

Kawi Café graduated 5 students and 6 new students are currently in the program!

120 students participated in the **Youth Entrepreneurship Day**; events were held in both Tahlequah and Claremore.

“This is a chance for me to learn and gain knowledge and experience that will be carried with me for the rest of my life. I will be able to learn some of the managerial aspects of owning my own small business! I've already learned so much through appreciation, understanding of customers and the art of business. I look to gain and learn so much more!” - Ethean Russell

Kawi Café opened to the public April 1! Since the opening, the Kawi Café conducted approximately **2,080 transactions** for a total of **\$14,027 in sales**.

Time & Again Bookstore, opened in the **Cort Mall Incubator space in June**. We still have 2 spaces available.

Year to date, over **entrepreneurial development and business workshops** have been attended by **6,415 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 Tuesday in July	1:00 pm	Cartooning with Valera Ainsworth
July 14 – 15	5:30 pm	Stickball Class
July 7 – 11	9:00 am	Illustrating
July 21 – 25	9:00 am	Piñata Making

Community Tourism and Traditional Games

All Traditional Games are open to the public and there is no cost to participate. All winners will be invited to play in the community vs. community playoffs on Sunday, August 31, at the Cherokee National Holiday.

Date	Location	Event
July 19	Sallisaw City Park	Community Traditional Games
August 9	Little Kansas City Park	Community Traditional Games
August 29 – 31	Cherokee National Holiday - Armory	Art Show
August 3	Cherokee National Holiday – Art Center	Cherokee Cultural Activities
August 31	Cherokee National Holiday	Community Traditional Games Playoffs

NOTEWORTHY

The Cherokee Arts Center is partnering with **NSU Continuing Education** to offer art classes each week throughout **June and July** to 1st and 5th grade students. Examples of classes to be held include sketching, cartoons, and piñata making.

“**Arts on the Avenue**” was held **June 13 and June 14** on the Cherokee Capitol Square. We received a \$10,000 grant from the Nation Endowment of the Arts for this event to be used next year and had over **200 visitors** to the Art Center and **over 45 regional artists** in the event.

Cherokee National Holiday Office is conducting Community Traditional Games and is in full fundraising mode for the Holiday. **Volunteers** are being sought for events and events are preparing!

The Cherokee Arts Center provides teaching space and specialized equipment for artists to increase their revenues. Year to date, **335 people have attended 71 artist taught classes** and the equipment has been used 326 times. Year to date, **5,242 people** have taken advantage of the Cherokee Arts Center.

The **Spider Gallery** currently represents **68 artists** and took the work of 27 artists to NMAI in Washington DC. The Gallery has participated in 9 events giving Cherokee artists exposure to over 1,000.

Artists have earned \$39,302.49 through Cherokee Arts Center and Spider Gallery activities. Tourism related small business and artist loans total \$365,447, year to date.

“As a newcomer to Tahlequah, the Cherokee Arts Center and its staff have been absolutely indispensable for my career as an artist. Not only did I get the opportunity to rent studio space that was of a standard exceeding that of comparable spaces in New York (and far more reasonably priced), Donna Tinnin introduced to me other artists and curators in the community. Through their hard work and connections I found a job teaching at a local college and have had my work featured in local, state, and nation-level exhibitions (including two that were set up with the help of the Cherokee Arts Center)” – Amy McGirk, New York

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

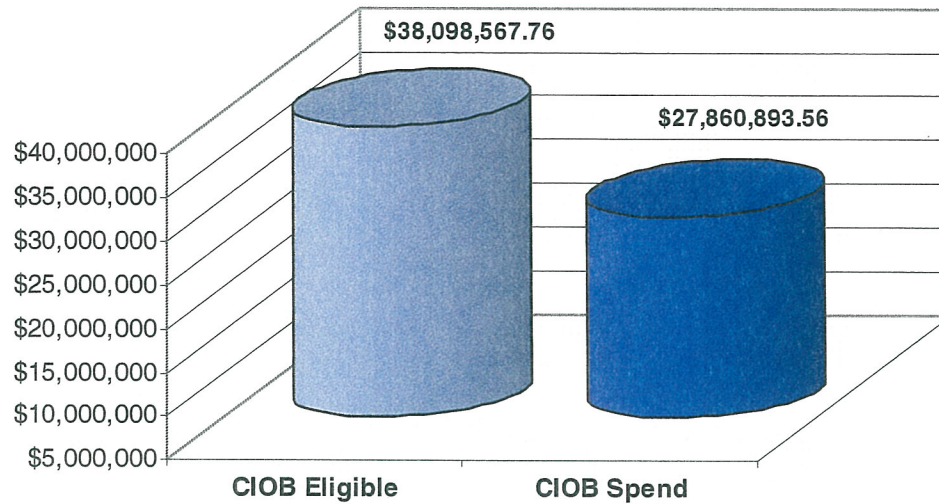
Month/Year of Report: June 2014

Program Highlights

a. **Balanced Scorecard Measures**

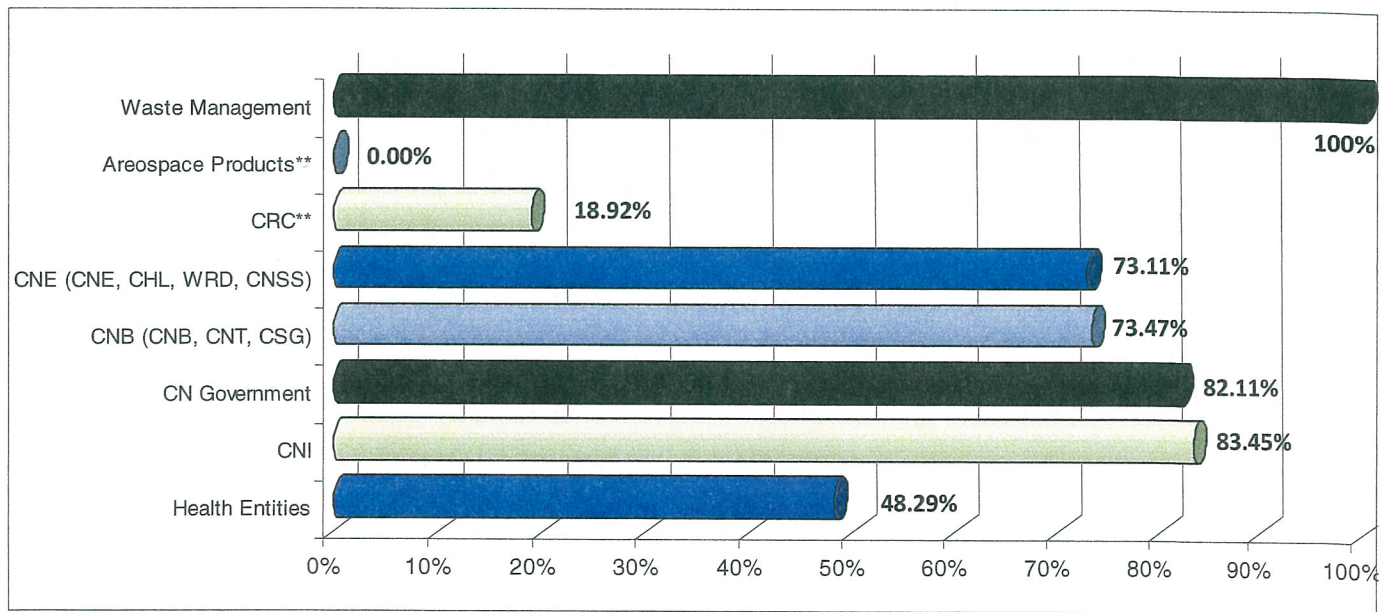
Objective	Metric	2014 Goal	Year to Date Achievement Notes/Comments
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	300/100%	74 /100%
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	80%	73.13% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> • CNE – 66.98% • CN Government - 83.58% • Health Entities – 100% • CNI – 45.74% • Waste Management - 0%
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB - CN – 82.9% Health - CNI – CRC – Aerospace -	Business Entities - 75.82% <ul style="list-style-type: none"> • CNE (CNE, CHL, WRD, CNSS) 73.11% • CNB (CNB, CNT, CSG) 73.47% (does not include service contract employees) • CN Government 82.11% (does not include IPA/MOA) • Health Entities 48.29% • CNI 83.45% (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	89
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	200/95%	109 /100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	16.81% - based on \$'s loaned 16.67% - 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% 1,3676 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	100% - 49
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 5 complaints filed; 3 resolved, 2 pending EEOC: 0 complaint filed; 0 resolved, 0 pending

73.13% of CIOB Eligible Procurement Opportunities were awarded to CIOBs



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

75.82% of Employees are registered Cherokee Nation Citizens



**Companies majority, not wholly, owned