

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Group: Financial Resources **Month/Year of Report:** February 2011

Group Leader: Callie Catcher **Phone:** 207-3902 **E-mail:** callie-catcher@cherokee.org

I. Budget Highlights – through January

- a.) Financial Resources – 29% spent
- b.) Treasurer – 46% spent
- c.) IIM – 35% spent
- d.) Acquisition Management – 28% spent
- e.) Records Management – 22% spent
- f.) Support Services – 34% spent
- g.) Office of Historical Records – 28% spent

II. Program Highlights

a.) Balanced Scorecard Measures

- 1. Complete FY10 Audit - 0% complete
- 2. Obtain Unqualified Audit Opinion – 0% complete
- 3. No Reportable Conditions on Single Audit –0% complete
- 4. Implementation of SAS 112 audit requirements – 0% complete
- 5. Obtain GFOA Award for FY09 CAFR – 100% complete
- 6. Reports Completed & Submitted by Due Dates – 100% Complete for reports due by 01/31/10.

b.) Accomplishments

- 1. February – Continue Lawson Budgeting & Planning Implementation process
- 2. February – Continue FY10 Audit process
- 3. February – Continue Lawson Mobile Supply Chain Implementation process
- 4. February – Negotiating FY11 Indirect Cost Rate

c.) Future Plans/New Initiatives

- 1. March – Continue Lawson Budgeting & Planning Implementation process
- 2. March – Continue FY10 Audit process – to be completed March 31, 2011
- 3. March – Continue Lawson Mobile Supply Chain Implementation process
- 4. March – Finalizing negotiations for FY11 Indirect Cost Rate

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Cherokee Nation Acquisition Management Year-To-Date Report Over \$5,000 Transactions October 1, 2010 through January 31, 2011		% of sub-total - TERO vendor submitted Bid
Award to TERO Vendor	\$ 19,181,197.44	81.49%
Award to non-TERO Vendor	\$ 4,357,941.67	18.51%
Sub-total bids with a TERO vendor participating	\$ 23,539,139.11	100.0%
Bid - no bids submitted by TERO Vendors	\$ 3,812,404.29	

I. Budget Highlights

- a. January consolidated monthly net income for all entities of \$5.3 million compared to budget of \$6.5 million.
 - i. The \$1.2 million below budget performance was made up of the following budget shortfalls:
 - 1. CNB, \$346,000
 - 2. CNE \$440,000
 - 3. CNI \$155,000
 - 4. CNSS \$22,000
 - 5. CDE \$173,000
 - 6. CNCS \$23,000
 - 7. MOB \$59,000
- b. FY11 Year-to-date Consolidated Cap ex (actual expenditures) is \$12.2 million for all entities.

II. Operating Highlights

- a. Outstanding debt on the BOA Loan Facility for all entities as of January 31, 2011 was \$24.0 million. Bonding and letters of credit as of January 31, 2011 totaled \$4.6 million. Current available unused capacity on the BOA Loan Facility is \$87 million.

I. Budget Highlights - January 2011 results

- a. Total CNE revenue of \$37.4 million in January improved 8.1%, compared to prior year but was 2.7% below budget.
 - i. Most CNE properties drove higher revenue in January 2011 compared to January 2010:
 - 1. West Siloam Springs: +13.0%
 - 2. Tahlequah/Fort Gibson: +9.3%
 - 3. Roland/Sallisaw: +0.3%
 - 4. Catoosa: +1.1%
 - 5. Will Rogers Downs: -4.7%
 - 6. Ramona (Not open until May 2010)
- b. Operating expense for the month was \$28.4 million, which was favorable to budget by \$409,000. CNE continues to focus on reducing operating costs throughout the company in order to improve profitability.
- c. CNE January net income totaled \$6.2 million, compared to \$6.3 million in January 2010. Net income was 6.6% below CNE's budget of \$6.6 million

II. Operating Highlights – As of February 17, 2011

- a. Expansions
 - i. Catoosa –The Joint has KODO, Montgomery Gentry and Xtreme Fight Night scheduled during February. The indoor air quality project began in December and is expected to be complete by mid-April. During the winter storm the first week of February the roof collapsed on Casino III. Efforts are being coordinated for clean up as well as moving gaming equipment to various areas of the property to begin recovering lost revenue.
 - ii. West Siloam Springs – The hotel has been full on recent weekends and drove an overall occupancy of 60.1% during January and trending at 77.4% for February. Employees needing to stay on property during the winter storm accounted for 15.9% of the overall 77.4% hotel occupancy. The property has added a high limit table games room which opened in January. Renovation to the poker room was completed February 7, 2011.
 - iii. Roland – Construction on I-40 from Roland to the Arkansas state line began in late November and is anticipated to be complete at the end of 2011.
 - iv. Ramona – The property continues to outperform initial forecasts.
- b. Employment
 - i. CNE employs 3,438 people as of January 31, 2011
 - 1. Catoosa (including corporate staff): 1,671
 - 2. West Siloam Springs: 831
 - 3. Tahlequah/Fort Gibson: 207
 - 4. Roland/Sallisaw: 413
 - 5. Will Rogers Downs: 220
 - 6. Ramona: 96
 - ii. 45.5% Cherokee citizen employment
 - iii. 58.1% Cherokee employment
 - iv. 69.1% Native American employment
- c. Future Plans/New Initiatives
 - i. Continue to manage expansion progress.
 - ii. Continue to enforce tighter hiring controls and expense reduction measures to gain efficiencies.

I. Budget Highlights

- a. Net loss for January 2011 was \$118,000, which is \$155,000 unfavorable to budget. The unfavorable budget variance is mainly due to a negative variance in Professional Services of \$157,000 and Military Logistics of \$41,000, which is offset by a favorable variance in Corporate Overhead of \$65,000. January's net loss was unfavorable to prior year by \$325,000 mainly due to a profit reduction in Distribution Services of \$206,000. Prior year included \$256,000 of fully reserved inventory sales accounting for the majority of the variance. Professional Services was unfavorable \$68,000 mainly associated with expired contracts that have yet to be replaced, Corporate Overhead was unfavorable by \$166,000 mainly due to an increase in CNB Shared Service allocation of \$54,000, an accrual of incentive compensation amounting to \$42,000, and increased depreciation and amortization of \$19,000. These unfavorable variances were offset by a favorable variance of \$158,000 in Manufacturing due to an increase in gross profit margin.

- b. CNI's revenue totaled \$7.7 million in January 2011, which was \$1.3 million below budget. The variance is primarily due to decreased revenue of \$819,000 in Manufacturing mostly due to timing, Professional Services of \$583,000 as projected new contracts have not yet been secured, \$38,000 in Military Logistics, partially offset by an increase in Distribution Services of \$179,000 which is associated with AT&T product demand. The unfavorable variance of \$628,000 compared to prior year is due to a reduction in Professional Services of \$522,000 as some contracts have expired and projected new contracts have not yet been secured, a decrease in Construction of \$700,000 as this business segment is no longer consolidated as part of CNI, and a decrease in Manufacturing of \$117,000 partially offset by an increase of \$281,000 in Distribution Services due to stronger demand of AT&T product and an increase in Military Logistics of \$429,000.

- c. Total operating expenses for January 2011 were \$7.7 million compared to a budget of \$8.8 million. The decrease in expense is mainly due to decreased revenues as total operating expenses compared to budget is (100.2% vs. 98.3%). Operating expenses compared to prior year were lower by \$343,000 due to reduced revenues less an increase in expense as a percent of revenue.

II. Operating Highlights

- a. Accomplishments
 - i. 68.18% Cherokee citizen employment
 - ii. 76.84% Native American employment
 - iii. Distributions Services anticipates continued growth with AT&T in 2011

I. Budget Highlights

- a. January revenue of \$3.4M was consistent with December and 21.3% ahead of budget
 - i. CSG began work on a new contract with the USDA which drove \$50k revenue in January. All other contracts performed at similar levels to prior months.
 - ii. CNT and CNTS drove revenue at levels comparable to December.
- b. January net income totaled \$183k, compared to \$286k in the prior month and ahead of a budgeted \$161k. The favorable budget variance is driven by ongoing growth in federal contracts revenue while the decline in net income from December is attributable to a YTD catch-up in employee costs that should have been recognized in December.
- c. YTD net income for the IT portfolios of \$863k is 35.6% ahead of budget and 158.6% ahead of last year.

II. Operating Highlights

- a. Acquisitions:
 - i. CNB completed the acquisition of ETI Professionals in Lakewood, Colorado on January 31st. The company, which has annual revenue in excess of \$30 million, will be managed through the IT Portfolio under two companies, Cherokee Nation Government Solutions (CNGS) and Cherokee Nation Technology Solutions (CNTS).
 - ii. Created a new entity named Cherokee Nation Assurance (CNA) to house the unit of the IT Portfolio that currently offers network infrastructure sales and services.
- b. Current Month
 - i. Completed first month of work on a new USDA contract
 - ii. Continued work on all other existing contracts
 - iii. Current contract backlog approximately \$80M
 - iv. Focused on maintaining a high contract renewal percentage
 - v. 7.3% Cherokee citizens and 10.9% Native American out of 285 total employees
- c. Future Plans/New Initiatives
 - i. Continue to strategically grow revenue by leveraging:
 - 1. Several new partner relationships developed in the DC area
 - 2. Advantages of the SBA 8(a) programs
 - 3. Cherokee Nation's reputation, network/affiliates, financial strength and current IT infrastructure
 - 4. Aggressive marketing of Federal 4th Qtr opportunities
 - 5. Expanded sales and proposal writing core
 - 6. Strategic acquisition opportunities

Month/Year of Report: January 2011

Group: Other Companies

Group Leader: Philip Reedy

Phone: 384-5907

I. Budget Highlights

- a. CNSS had revenue of \$85,000 due to the shared service agreement with CNE. Operating expenses exceeded budget due to travel associated with evaluation of potential acquisitions.
- a. APSE's January 2011 net loss was \$1,000. This is \$100,000 lower than January 2011 budget. Parts sales continue to remain lower than expected and margins remain tight.
- b. CCRC net income was \$143,000 in January, 2011. This was 53.0% less than budget of \$304,000. Lower than budgeted revenue in the environmental and aviation areas contributed to net income being less than budget.
- c. MOB incurred a net loss of (\$59,000) in January 2011.
- d. CNCS experienced a net loss of \$17,631 in January, 2011 as compared to a profit of \$17,329 in December, 2010. January was a transition month and many transactions which had previously been recorded on the books of CNB were transferred to the CNCS consolidated books during the month.

II. Operating Highlights

- a. CNSS continues to move closer to completing an acquisition.
- b. APSE revenue remains below budget primarily due to a slower than expected increase in parts sales to Boeing under the San Antonio contract and lower general sales than budgeted.
- c. APSE operating expense in January was \$100,000 which was lower than budget of \$138,000. The variance was primarily attributable to a reduction in rent and operating expenses related to new business that has not been achieved to date. Employee costs remain below budget.
- d. CCRC is currently marketing our environmental and professional services capabilities in an effort to make up for the loss of the Gulf work which was included in our budget. These efforts combined with the expected economic recovery will help close the gap to budget during the remainder of the year. In addition, construction work for the remainder of the year is expected to exceed budget.
- e. CNCS currently has nine task orders issued under the Dover AFB contract with an additional four task orders waiting for government funding to become available. CNCS is currently putting a great deal of effort into marketing our construction capabilities to numerous armed services bases.
- f. At acquisition, Mobility Plus did not yet have an inventory system that allowed for the calculation of Cost of Goods for the various revenue sources, i.e. rental income. As management continues to evaluate and implement systems and processes associated with this business, financial results are being recorded based on actual cash receipts and expenditures. The nature of insurance billings and collections as well as the timing of expenditures for inventory can result in monthly income fluctuations.

Group: Career Services-
Employment Month/Year of Report: February, 2011

Group Leader: 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

Activity	January	YTD	Goal	% of Goal
GED Completions	28	118	250	47%
Training Completions	33	144	450	32%
Employment Completions	1	40	300	13%
Unsubsidized Placement	112	330	500	66%
Retention	39	116	200	58%
Job Readiness Training	30	53	500	11%
WorkKey Credentialing	7	161	500	32%
Job Bank	29	455	1,000	46%
Indian Owned Businesses	8	109	100	109%
Major Cherokee Employers	0	0	50	0%
Job Fairs	0	2	15	13%
Community Service	8	29	50	58%

Balanced Scorecard measures for the previous month will be available the 15th of each month.

b. Accomplishments

1. Eight FireDancers went to Virginia on fire detail.
2. Nine Tribal Day Training participants entered unsubsidized employment, five of these within Cherokee Nation.

3. Eight NAHASDA Day Training participants entered unsubsidized employment, five of these within Cherokee Nation.

Initiatives

1. Work Keys testing and Life Skills class are being planned for next month for all Day Training participants.
2. Staff are preparing for the SYEP application process, which is scheduled to begin in March.

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

Month/Year of Report: March 2010

Program Highlights

a. Balanced Scorecard Measures

Objective	Metric	2010 Goal	Year to Date Achievement Notes/Comments
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	500/100%	127/100%
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	75%	80.08% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> • CNE - Unavailable (no reporting for fiscal year 2011)) • CN Government 81.49% • Health Entities 93.46% • CNI 54.27%
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB – CN – 82.9% Health – CNI – CRC – Aerospace -	Business Entities <ul style="list-style-type: none"> • CNE (CNE, CHL, WRD, CNSS) 47.37% • CNB (CNB, CNT, CSG) 29.85% • CN Government 72.09% (does not include IPA/MOA) • Health Entities 48.58% • CNI 68.47% (does not include service contract employees) • CRC (not wholly owned by CN) 18.92% • Aerospace 0% • Waste Management 100%
Increase Indian-Owned Business Certifications	# Newly Certified Indian-Owned Businesses	80	53
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	300/95%	78/100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	75%	15.30%
Effective Usage of Fees Collected	# Trained	100	21
Effective Monitor of Work Sites – Construction and Housing	# Monitoring Visits	90%	100% - 767 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	21 bid openings attended
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 7 complaints filed; 6 resolved EEOC: 3 complaint filed; 3 resolved

b. Notable accomplishments:

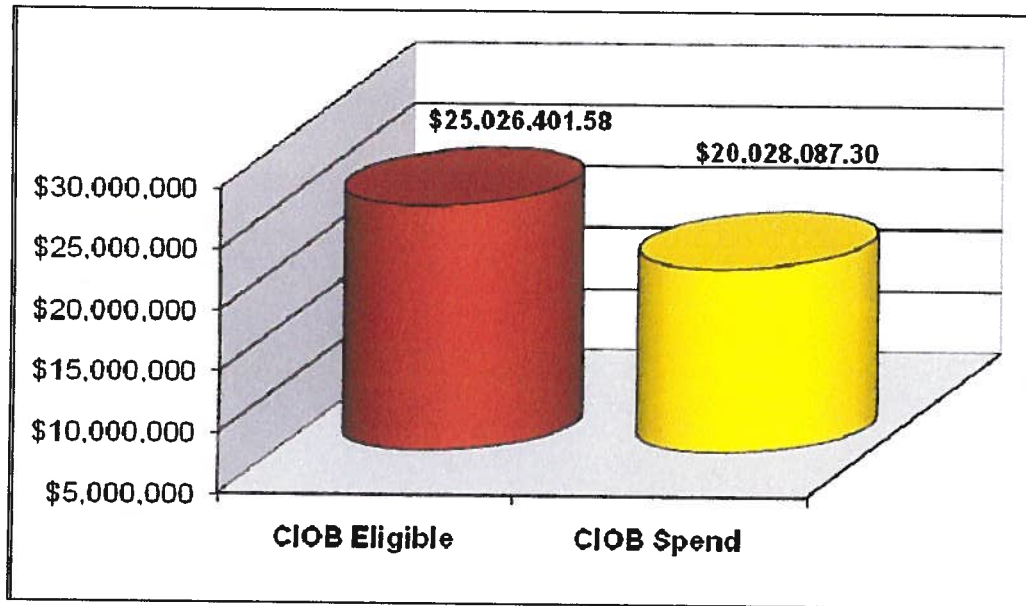
1. Created **Certified Indian-owned Business website**, www.cherokeetero.com, to provide exposure for CIOB on the internet and to maintain an up to date listing of certified businesses.
2. **Record number of TERO Certified Indian-owned Businesses – 656**, as compared to 251 in 2005. Additionally, 561 are wholly or partially owned by Cherokee Nation citizens.

c. Future plans/new initiatives:

1. **Electronic notification to all CIOB when a procurement opportunity they qualify for posts from CN Government.** Notification will be through email and text messaging.
2. **Comprehensive certification program to aid Certified Indian Owned Businesses with other city, state, and federal minority certifications.**

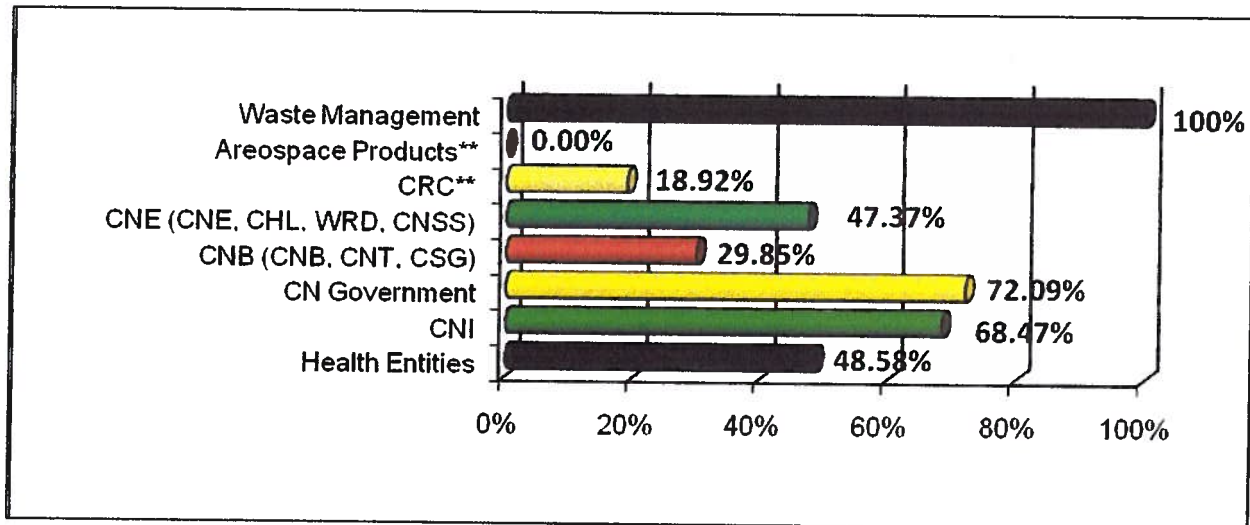
Business/Entrepreneur Workshops			
Date	Location	Time	Workshop
3-Mar	Indian Capital Technology Center - Muskogee	8:30am	Entrepreneur 101
8-Mar	Claremore Housing Office	6pm	How to do Business with CN
8-Mar	Stilwell Vo-Tech		HubZone 8(a)
11-Mar	Indian Capital Tech. Center - Sallisaw		HubZone 8(a)
15-Mar	Tahlequah Osioyo Room	6pm	How to do Business with CN
March 21, 28, April 4, 11	Indianpreneurship Class	6pm	Tahlequah EMS Building
March 22	Marketing and Public Relations	6pm	Tahlequah Osioyo Room
March 24, 31, April 7, 14	Indianpreneurship Class	6pm	Sallisaw Housing Services
March 24	Marketing and Public Relations	6pm	Tahlequah Osioyo Room

80.03% of CIOB Eligible Procurement Opportunities were awarded to CIOBs



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

57.76% of Employees are registered Cherokee Nation Citizens



**Companies majority, not wholly, owned

Group: Commerce

Month/Year of Report: March 2010

Group Leader: Anna Knight

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Email: aknight@cherokee.org

Budget Highlights

None

Program Highlights

a. Balanced Scorecard Measures

Objective	Metric	2011 Goal	Year to Date Achievement Notes/Comments
Investment in Economy	Loan Dollars	\$1,000,000	Commercial: \$210,168.01 <i>Approved Loans Pending Closing</i> <ul style="list-style-type: none">• Construction – Tahlequah \$25,000• Hair Salon – Jay \$16,000• Retail – Oolagah \$16,500 <i>Pending approval</i> <ul style="list-style-type: none">• None Pending Consumer: \$176,051.00
Investment in Economy	Tourism Dollars		
	a) Community Tourism	a) \$50,000	a) \$6,500 (income to artists/communities through tourism activities)
	b) Tourism Business Development	b) \$100,000	b) \$0 (financing tourism related businesses)
Job Creation	# Small Business Jobs Created/Maintained	100	25
	Percentage Cherokee (or Cherokee Family) Employed	90%	100%
Effective Business Training	# Attendees and % Indicating usefulness	500/95%	454/100%
CN Holiday	1. % Increase Sponsorships	a) 5%	a) TBD
	2. % Increase in Community Games Participation/Holiday Cultural Events	b) 5%	b) TBD

b. Notable accomplishments

1. **Commercial Loans Closed –YTD – Tahlequah - Restaurant (2 jobs), Construction (4 jobs); Vian – Construction (1 job); Kansas – Construction (2 jobs); Sallisaw - Salon (8 jobs); Peggs - Construction (4 jobs); Collinsville – Service (2 jobs)**
2. **Charged Off Loans – Commercial: Monthly Total – 0/\$0.00, Year to Date Total – 0/\$0.00 Consumer: Monthly Total – 0/\$0.00, Year to Date Total –0/\$0.00**
3. Collaborating with local partners to complete an **ODOC Work Ready Community certification** process for CN rural counties – anticipated completion date 2011. The area has met the high school graduation rates, which is the hurdle we were most concerned about.
4. **Bridge to Success Business Mentorship Program** 4 initial mentors have been selected and trained. Initial mentees will be selected from new or struggling SBAC loan clients.
5. The Small Business Assistance Center has hosted or co-hosted events with **889 people** in attendance.

c. Future plans/new initiatives

1. **Market Place Entrepreneur Program** to increase competitiveness of Cherokee owned market place businesses and create strategy to increase market place opportunities (including e-commerce)

2. We are currently working on a grant application for the **Cherokee Creativity Center** (artist incubator). Center will include affordable artist space, shared equipment, gallery space, retail sales, entrepreneurship classes, and art classes.
3. **Silversmithing classes** began in the Cherokee Creativity Center in January 2011 with 6 day-workers participating. These classes will provide the day-workers with a marketable skill to enter into the workforce.

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

▪ IRP:	\$251,368.31	▪ ICDBG Adult:	\$351,742.83
▪ Commercial:	\$200,633.48	▪ ICDBG Youth:	\$151,905.36
▪ CDFI:	\$676,333.92	▪ Consumer Lending:	\$296,159.03

* Bank statements for February are not yet available.

Business/Entrepreneur Workshops			
Date	Location	Time	Workshop
3-Mar	Indian Capital Technology Center - Muskogee	8:30am	Entrepreneur 101
8-Mar	Claremore Housing Office	6pm	How to do Business with CN
8-Mar	Stilwell Vo-Tech		HubZone 8(a)
11-Mar	Indian Capital Tech. Center - Sallisaw		HubZone 8(a)
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