

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Group: Financial Resources **Month/Year of Report:** December 2012

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

I. Budget Highlights – through November

- a.) Financial Resources – 14% spent
- b.) Treasurer – 11% spent
- c.) IIM – 25% spent
- d.) Acquisition Management – 17% spent
- e.) Records Management – 15% spent
- f.) Support Services – 18% spent
- g.) Employee Performance Incentive – 7% spent

II. Program Highlights

a.) Balanced Scorecard Measures

- 1. Complete FY12 Audit - 2% complete
- 2. Obtain Unqualified Audit Opinion –0% complete
- 3. No Reportable Conditions on Single Audit –0% complete
- 4. Obtain GFOA Award for FY11 CAFR – 100% complete
- 5. Reports Completed & Submitted by Due Dates – 100% Complete for reports due by 11/30/12

b.) Accomplishments

- 1. Provided support to Child Support Services with the accounting system for the payment center
- 2. Handed out employee gift cards at Christmas Party

c.) Future Plans/New Initiatives

- 1. Year End processing and audit is underway
- 2. W-2 and 1099 reporting to be completed by January 31, 2013

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Cherokee Nation Acquisition Management Year-To-Date Report Over \$5,000 Transactions October 1, 2012 through September 30, 2013		% of sub-total - TERO vendor submitted Bid
Award to TERO Vendor	\$ 12,709,935.15	91.93%
Award to non-TERO Vendor	\$ 1,116,311.28	8.07%
Sub-total bids with a TERO vendor participating	\$ 13,826,246.43	100.0%
Bid - no bids submitted by TERO Vendors	\$ 2,294,186.44	
October 1, 2012 through November 30, 2012		



CHEROKEE NATION™
Businesses

Executive and Finance Report
Consolidated Financial Information
November 2012

Cherokee Nation Businesses

Executive and Finance Report

November 2012

Budget Highlights

- November 2012 CNB consolidated net income of \$7.6 million was 5.3% unfavorable to a budget of \$8.0 million.
- CNE net income of \$8.5 million was \$1.6 million above budget due to higher than anticipated gaming revenue.
- Technology portfolio net income of \$390,000 was \$127,000 above budget due to several new contracts that began in October.
- The Healthcare portfolio net income was \$26,000 unfavorable to budget. This was attributable to additional costs associated with new contracts, primarily the CLASS contract.
- APSE under budget due to timing issues associated with a Boeing contract for the 345 Kitting Program.
- All other businesses combined were consistent with budget.

Capital Expenditures

November YTD capital expenditures were \$22.3 million for all entities.

- CNE: \$16.3 million – Ongoing expansion construction at Catoosa, Ramona, and Ft. Gibson
- CPM: \$5.3 million – Purchase of American Woodmark Building in Tahlequah
- CNB: \$628,000 – Deltek Gov't Accounting Software, IT Equipment
- CNCS: \$48,000 – New Vehicles
- CNI: \$13,000 – Floor Scrubber/Sweeper

Financing

- CNB has no outstanding borrowings as of November 30, 2012.

Cherokee Nation Entertainment

Executive and Finance Report

November 2012

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$44,051	\$42,238	\$1,813	4%
• Operating Expenses	Month -	\$31,437	\$31,467	(\$30)	0%
• Net Income	Month -	\$8,509	\$6,900	\$1,609	23%

Operating Highlights

- CNE net income of \$8.5 million in November 2012 was \$1.6 million favorable to budget.
- Total revenue of \$44.1 million was \$1.8 million favorable to budget primarily due to higher than anticipated gaming revenue.
- Total operating expense of \$31.4 million was consistent with budget. This was the result of lower than budgeted marketing spend, and outside services.
- On August 28th, CNE opened the new permanent facility at the Ramona property.
- On September 18th, CNE re-opened Casino 3 after completing a rebuild of the casino due the roof collapse in February 2011.
- CNE opened the new permanent facility at Fort Gibson on December 4th.
- The new hotel tower at Catoosa is expected to be opened during the second quarter of calendar year 2013.

Capital Expenditure Highlights

- Catoosa Casino 3 Rebuild - \$6.5 million
- Ramona Casino - \$1.2 million
- Ft. Gibson Casino - \$1.3 million

Cherokee Nation Industries

Executive and Finance Report

November 2012

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$5,725	\$5,443	\$282	5%
• Operating Expenses	Month -	\$6,575	\$5,847	\$727	12%
• Net Income	Month -	(\$928)	(\$477)	(\$451)	95%

Operating Highlights

- Net loss was \$928,000 compared to a budgeted net loss of \$477,000.
- CNI's revenue totaled \$5.7 million in November 2012 which was \$282,000 higher than a budget of \$5.4 million.
- Total operating expenses of \$6.6 million was \$727,000 higher than budget. The increase was primarily associated with higher overhead and administrative expenses as well as expenses associated with higher revenues.
- Management is focused on increasing revenues through increased sales efforts as well as reducing expenses.

Technology Portfolio

Executive and Finance Report

November 2012

Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$7,668	\$6,647	\$1,021	15%
• Operating Expenses	Month -	\$7,146	\$6,253	\$893	14%
• Net Income	Month -	\$390	\$263	\$127	48%

Operating Highlights

- The IT Portfolio generated revenue of \$7.7 million compared prior year revenue of \$5.2 million.
- November EBITDA was \$522,000 compared to budgeted EBITDA of \$394,000. The November EBITDA margin of 6.8% was greater than the 5.9% budget for the month.
- CSG and CNT revenue of \$3.1 million was favorable to prior year by \$25,000. The favorable revenue was the result of new contracts with the United States Department of Agriculture and the Environmental Protection Agency.
- CNGS and CNTS generated \$4.4 million of revenue and continued to grow revenue at an increased daily rate compared to recent months. The increase was due to the new fixed price contracts.
- The Technology Division currently has more than 7 outstanding proposals awaiting decision among various potential customers, which exceeds prior year levels.
- CNGS and CNTS began work on multiple new fixed price contracts for the United States Army Corp. These contracts are for multiple years providing \$300,000 in revenue per month. CNT has begun work on a 1 year, \$500,000, contract for the USDA Agricultural Research Service.

Other Diversified Businesses

Executive and Finance Report

November 2012

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 -	\$9	\$3	\$6	208%
• CNCS	Month -	(\$27)	\$6	(\$32)	-572%
• Mobility Plus	Month -	(\$108)	(\$69)	(\$40)	58%
• CMS / CNHS	Month -	\$42	\$68	(\$26)	-39%
• Aerospace Products S.E.	Month -	(\$16)	\$2,459	(\$2,475)	-101%
• CCRC	Month -	\$90	(\$37)	\$127	-343%

Operating Highlights

- **CNSD** resulted in net income of \$9,000 compared to a budget of \$3,000. CNSD generated revenue in the amount of \$115,000 compared to the budget of \$123,000. The unfavorable variance was the result of losing a subcontract agreement with Tiburon which accounted for 61% of the budgeted November revenue. Operating expenses were favorable to budget due to unrecognized expense associated with the Tiburon agreement.
- **CNCS** resulted in a net loss of \$27,000 in November 2012, which was unfavorable to budgeted net income of \$6,000. The unfavorable budget variance was primarily driven by lower revenues as well as higher than anticipated employee costs.
- **Mobility Plus** resulted in a net loss of \$108,000 compared to budgeted net loss of \$69,000. The negative variance was due lower than anticipated sales. The unfavorable variance was primarily attributed to vacancies in sales rep positions which were targeting key areas of sales growth. Operating expenses were favorable to budget primarily due to lower than anticipated bad debt expense.
- **CMS / CNHS** resulted in a net income of \$42,000 compared to budget of \$68,000. Revenue of \$2.2 million was favorable to a budget of \$1.7 million. The favorable budget variance was due to first full month with two new fixed price contracts. Operating expenses of \$2.1 million were \$500,000 unfavorable to budget primarily due to expenses associated with the new fixed price contracts, specifically the CLASS contract.
- **APSE** net loss was \$16,000 in November 2012 compared to a budget of \$2.5 million. The unfavorable variance was due to timing issues associated with a Boeing contract for the 345 Kitting Program. Budgeted revenue associated with this contract in November was not recognized.
- **CCRC** net income was \$90,000 in November, which was favorable to a budget net loss of \$37,000. November 2012 revenue was \$1.8 million compared to budget of \$519,000. The favorable revenue variance was primarily associated with the construction division. Higher revenue was the result of revenue recognized on the BIA contract during the month as well as the Fort Dix projects.

Group: Commerce

Month/Year of Report: December 2012

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: \$548,964 Approved Loans Pending Closing • Landscaping \$50,000 • Carpet installer \$25,000 Consumer: \$298,126.00 (120 loans)
Investment in Economy	Tourism Dollars a) Community Tourism & Business Development b) Tourism Business Income	a) \$125,000 b) \$50,000	a) \$0 (all loans to artist & tourism) b) \$10,781.00 (income to artists/communities)
Job Creation	1. # Small Business Jobs Created/Maintained 2. Percentage Cherokee (or Cherokee Family) Employed	1. 100 2. 100%	1. 44 (37 Cherokee) 2. 85%
Effective Business Training	# Attendees and % Indicating usefulness	1,500/100%	1,080 / 100%
CN Holiday	1. % Increase Sponsorships 2. % Increase in Community Games Participation/Holiday Cultural Events	a) 5% b) 5%	a) TBD b) TBD

b. Notable accomplishments

- Commercial Loans Closed –YTD – Fort Gibson-** Trucking (4), *Hulbert-Construction* (5), *Muskogee-Ag loan* (1), *Stillwell-Daycare* (2), *Tahlequah- Recycling* (6), *Beauty Salon/Spa* (8), *Tulsa- Coffee Roaster* (2), *Landscaping* (5), *Trucking* (11).
- Collateral for Commercial Loans Closed –**

Community	Loan Purpose	Project Costs	Loan Amount	Collateral Discounted Value	Owners Equity	Jobs
Tulsa	Business Expansion	\$75,000	\$50,000	Titled Vehicles=\$51,023	33%	11

- Charged Off Loans – Commercial:** YTD Total – \$0.00, **Consumer:** YTD Total – \$0.00
- Backwoods Food** plans to lease property in the Tahlequah Industrial Park, **investing over \$2 million** in their expansion and **increasing employment by 40 within two years.** This was one of our first commercial loans clients and is a major step for a family owned, home based business.
- Cherokee Arts Center **E-Commerce site is complete** and can be viewed at artscenter.cherokee.org.

Future plans/new initiatives

- Kitchen Incubator** for Cherokee farmers and food producers to earn supplemental income by preparing/packaging local foods for sale. **Creation of Food Sector entrepreneurial development and loan programs.**

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

- | | | | |
|---------------|--------------|---------------------|--------------|
| ▪ IRP: | \$523,722.29 | ▪ CDFI: | \$73,062.97 |
| ▪ Commercial: | \$512,170.55 | ▪ Consumer Lending: | \$31,2244.33 |

*Based on November bank statements.

Business/Entrepreneur Workshops			
Date	Location	Time	Workshop
January 17	Tahlequah Osiyo Training Room	1 pm to 4 pm	Quick Books 101
January 19	Claremore RSU Innovation Center	9 am to 4 pm	Indianpreneurship
January 26	Claremore RSU Innovation Center	9 am to 4 pm	Indianpreneurship
February 7	Tahlequah Osiyo Training Room	6 pm to 8 pm	How to do Business with Cherokee Nation
February 28	Vinita Oklahoma State Bank	2 pm to 4 pm	Financing Options
March 7	Tahlequah Osiyo Training Room	6 pm to 8 pm	Core Four Business Training
March 14	Tahlequah Osiyo Training Room	6 pm to 8 pm	Core Four Business Training
March 21	Tahlequah Osiyo Training Room	6 pm to 8 pm	Core Four Business Training
March 28	Tahlequah Osiyo Training Room	6 pm to 8 pm	Core Four Business Training

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

Month/Year of Report: December 2012

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%	11/100%
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	75%	88.29% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> • CNE – 80.56% • CN Government - 91.93% • Health Entities – 77.99% • CNI – 57.97% • Waste Management - 100%
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB - CN – 82.9% Health - CNI – CRC – Aerospace -	Business Entities - 75.28% <ul style="list-style-type: none"> • CNE (CNE, CHL, WRD, CNSS) 73.50% • CNB (CNB, CNT, CSG) 66.30% • CN Government 82.09% (does not include IPA/MOA) • Health Entities 48.18% • CNI 75.70% (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	15
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	300/95%	93/100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	9.52% - Dollar Amount Loaned out 23.00% - Number of Loans
Effective Usage of Fees Collected	# Trained	100	0 (TERO continues to report 0 on their report)
Effective Monitor of Work Sites – Construction and Housing	# Monitoring Visits	90%	100% - 258 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	100% - 16
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 2 complaints filed; 1 resolved, 0 pending EEOC: 0 complaint filed; 0 resolved, 0 pending

b. Notable accomplishments:

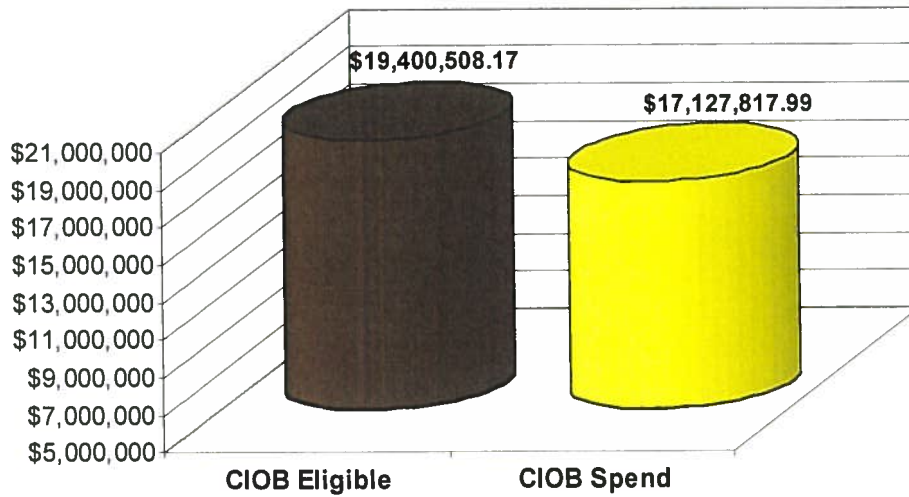
1. Business Coach Brenda Alley was **certified as QuickBooks instructor**. We have our first class scheduled next week in Tahlequah and already have 21 people enrolled.

c. Future plans/new initiatives:

1. Partner with Education Services to hold **Youth Entrepreneurship Day in the northern counties** of the Cherokee Nation.
2. **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.

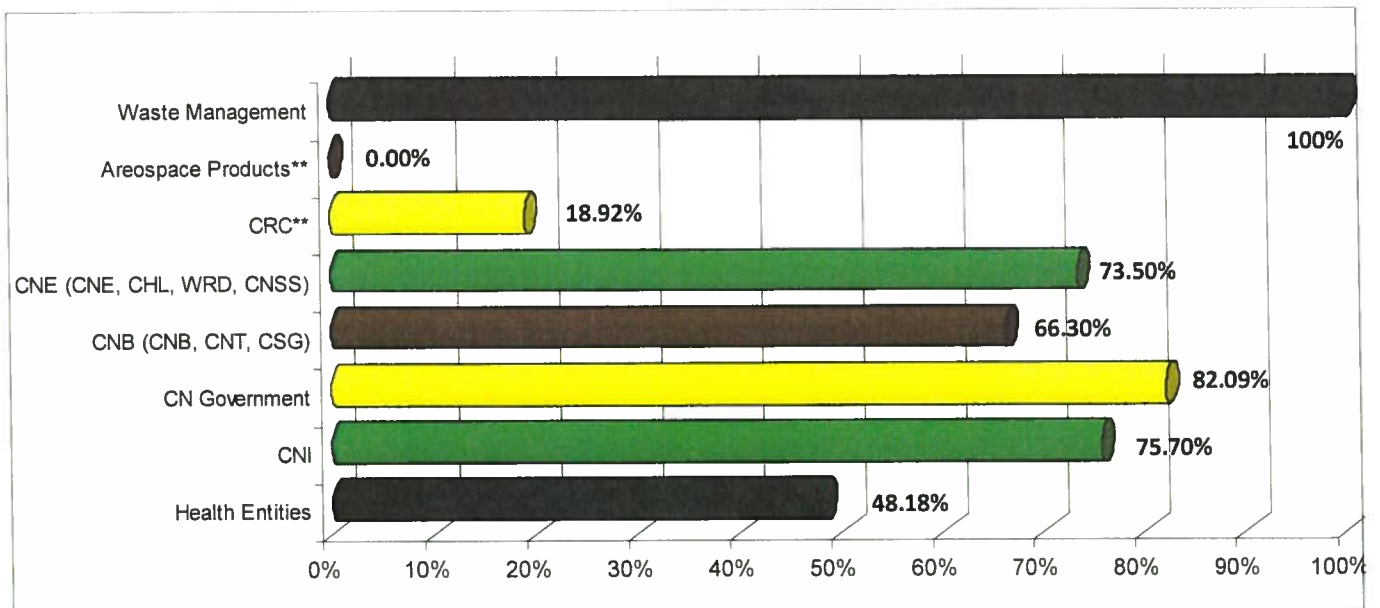
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88.29% of CIOB Eligible Procurement Opportunities were awarded to CIOBs



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

75.28% of Employees are registered Cherokee Nation Citizens



**Companies majority, not wholly, owned