

CHEROKEE NATION™
Businesses

Executive and Finance Report
Consolidated Financial Information
November 2016

Cherokee Nation Businesses

Executive and Finance Report

November 2016

Budget Highlights

- November 2016 CNB consolidated net income of \$8.6 million was \$2.6 million favorable to budget and consistent to prior year. Consolidated revenue was \$80.0 million, which was \$3.0 million favorable to budget and exceeded the previous year by \$4.4 million.
- CNE EBITDA of \$15.4 million was favorable to budget by \$1.4 million. The favorable variance was mainly due to higher than anticipated gaming revenue. Total revenue for November 2016 of \$51.3 million was \$936,000 favorable to budget and \$2.1 million higher than prior year.
- CNB Parent and the Technology, Engineering & Manufacturing (E&M), Health Sciences and Logistics & Distribution (L&D) Sectors EBITDA were \$331,000, \$337,000, \$308,000, \$267,000 and \$116,000 favorable to budget, respectively. CNB Parent's favorable variance was due to lower than budgeted operating expenses. The favorable variances within E&M and L&D were due to product mix and increased revenue as well as the final deliveries on ATT SE project. The favorable variances within the Technology and Health Sciences Sectors were due to higher than anticipated revenue on projects within each sector. Total revenue for these five entities was \$4.1 million over budget.
- Consulting and Construction Sectors had unfavorable EBITDA variances of \$108,000 and \$102,000, respectively. The unfavorable variances were mainly due to lower than expected activity on projects and profitability. Total revenue of \$9.1 million for these two sectors was \$2.3 million under budget and \$1.6 million lower than prior year.
- EBITDA at the non-operating subs was \$59,000 above budget.

Capital Expenditures

November capital expenditures were \$14.0 million for all entities.

- CNE: \$12.6 million
 - Expansion: \$11.1 million – Grove Casino, Cherokee Springs Business Park, Tahlequah OP1 Rebuild , WRD Renovation, Catoosa Hotel Lobby, Front Desk, Spa, Pool Renovation, Tahlequah Casino
 - Strategic: \$870,000 – WRD Waste Water System, Flint Creek Renovation, Opera Property Management System, and Poker Equipment
 - Maintenance - \$634,000 – Fleet Vehicles, HVAC Sensors, IT Equipment, Poker Chips, Privacy Fence, Art Procurement, Tractor and Rider Sweeper
- CPM: \$941,000 – Housing, Roof Replacement and LED Lighting
- CNB: \$366,000 – Smithsonian Institution – 5 Year Capital Grant, Deltek ERP System and CN Capital Building

Financing

- CNB had no outstanding borrowings as of November 30, 2016.

Cherokee Nation Entertainment

Executive and Finance Report

November 2016

Budget Highlights

CNE

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$51,251	\$50,315	\$936	2%
• Operating Expenses	Month -	\$35,831	\$36,302	\$470	1%
• EBITDA	Month -	\$15,419	\$14,013	\$1,406	10%

Operating Highlights

- CNE EBITDA of \$15.4 million in November was \$1.4 million favorable to budget.
- Total revenue of \$51.3 million was \$936,000 favorable to a budget of \$50.3 million.
- Total operating expense of \$35.8 million was \$470,000 favorable to budget. The favorable variance was due to lower than anticipated employee related expenses.
- CNE is building a new 39,000 square foot casino in Grove, Oklahoma that is anticipated to open mid-December. The destination will feature 400 electronic games, restaurant, full-service bar, live music venue, dance floor and complimentary non-alcoholic drinks.
- Businesses opened at the Cherokee Springs Plaza in August that includes restaurants, retail and an auto sales lot. Additional businesses are anticipated to open in the future which will include retail, restaurants, office space, convention space, two hotels, and a casino adjacent to the Cherokee Springs golf course in Tahlequah.
- The Creek Casino in Tulsa opened a \$335 million expansion including a new casino and restaurant, all branded as Jimmy Buffett's Margaritaville, on August 25, 2016. The 483 room hotel tower is expected to open in December 2016. The pool bar, theater and event center are expected to open in early 2017.

Capital Expenditure Highlights – Year to Date

- Expansion related costs for Grove, Cherokee Springs Business Park, OP1 Rebuild, WRD Renovations and Catoosa Hotel Lobby, Front Desk, Spa and Pool Renovations – \$10.9 million
- WRD Waste Water System - \$562,000
- Flint Creek Renovation - \$160,000

Diversified Businesses

Executive and Finance Report

November 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 -	(\$431)	(\$739)	\$308	42%
• Logistics & Distribution	Month -	\$70	(\$46)	\$116	252%
• Technology	Month -	\$744	\$407	\$337	83%
• Consulting	Month -	\$680	\$788	(\$108)	-14%
• Construction	Month -	(\$32)	\$70	(\$102)	-146%
• Health Sciences	Month -	\$563	\$296	\$267	90%
• Aerospace Products S.E.*	Month -	(\$48)	\$51	(\$99)	-195%
• CCRC*	Month -	(\$79)	(\$5)	(\$74)	-1480%

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

Operating Highlights

- **Engineering & Manufacturing** Sector EBITDA loss of \$431,000 was \$308,000 favorable to budget. The gross profit margin of 7.8% was 3.7 percentage points higher than budget but 2.8 percentage points lower than prior year. Favorable margins compared to budget were primarily due to product mix.
- **Logistics & Distribution** Sector EBITDA of \$70,000 was \$116,000 favorable to budget. The favorable EBITDA variance was primarily due to a favorable revenue variance related to final deliveries on the ATT SE project.
- **Technology** Sector EBITDA was \$744,000 compared to a budget of \$407,000, resulting in a favorable variance of \$337,000. The favorable EBITDA was primarily due to higher than expected profitability on CNT's US Coast Guard and US Army Geospatial projects, CNSP's DOJ project, and CNSD's Lockheed Martin project.
- **Consulting** Sector EBITDA was \$680,000 compared to a budget of \$788,000, resulting in an unfavorable variance of \$108,000. The 9.1% EBITDA margin was unfavorable to a budgeted EBITDA margin of 9.8%. EBITDA was unfavorable compared to budget primarily due to lower than expected margins on CNTS's AFCEC project.
- **Construction** Sector EBITDA loss of \$32,000 was \$102,000 unfavorable to a budget of \$70,000. The unfavorable EBITDA variance was primarily due to lower than expected revenue from several projects.
- **Health Sciences** Sector EBITDA of \$563,000 was \$267,000 favorable compared to a budget of \$296,000. The favorable variance was due to the CNA's DHA project, and CNHS's SAMMC and Ft. Carson projects.

Diversified Businesses (con't)

Executive and Finance Report

November 2016

- **APSE** net loss was \$48,000 resulting in an unfavorable variance to budget of \$99,000. Revenue was \$545,000 unfavorable to budget.
- **CCRC** net loss of \$79,000 was \$74,000 unfavorable to budget. EBITDA and gross profit margin were lower than budget primarily due to cost overruns on the Sequoyah Stadium project.

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Group: Financial Resources **Month/Year of Report:** December 2016
Treasurer: Lacey Horn **Phone:** 207-3902 **E-mail:** lacey-horn@cherokee.org

- I. Budget Highlights – through November
 - a.) Financial Resources – 15% spent
 - b.) Treasurer – 11% spent
 - c.) IIM – 21% spent
 - d.) Acquisition Management – 21% spent
 - e.) Records Management – 10% spent
 - f.) Support Services – 19% spent
 - g.) Grants Management – 16% spent
 - h.) Grant Development – 17% spent
 - i.) Fleet Management – 6% spent
 - j.) Employee Performance Incentive – 30% spent
 - k.) Grant Development for CNB – 0% spent

- II. Program Highlights
 - a.) Balance Scorecard Measures
 - 1. Complete FY16 Audit –0% Complete
 - 2. Obtain Unmodified Audit Opinion –0% complete
 - 3. No Material Weaknesses on Single Audit –0% complete
 - 4. Obtain GFOA Award for FY15 CAFR – 100% complete
 - 5. Reports completed & submitted for December 2016
 - b.) Accomplishments
 - 1. The Series 2006 Health System Bonds that funded construction for the Muskogee and Nowata Clinics and expanded the Sallisaw Clinic have been fully redeemed.
 - 2. Staff attended Title IV E Planning Conference
 - c.) Upcoming Events
 - 1. Year end processing underway

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Cherokee Nation Acquisition Management Year-To-Date Report Over \$5,000 Transactions October 1, 2016 through September 30, 2017		% of sub-total - TERO vendor submitted Bid
Award to TERO Vendor	\$ 19,163,809.65	99.27%
Award to non-TERO Vendor	\$ 140,411.34	0.73%
Sub-total bids with a TERO vendor participating	\$ 19,304,220.99	100.0%
Bid - no bids submitted by TERO Vendors	\$ 692,613.64	
October 1, 2016 through November 30, 2016		

Group: Career Services-Executive and Finance Month/Year of Report: December, 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>November</i>	<i>YTD</i>	<i>Goal</i>	<i>% of Goal</i>
<i>HSE Completions</i> – includes individuals completing and receiving a High School Equivalency or High School Diploma from Talking Leaves Job Corps and Career Literacy.	12	29	175	16.6%
<i>Training Completions</i> – includes individuals receiving a nationally-recognized certification, credential, or degree while enrolled in one of 11 different vocational training programs.	38	83	550	15.1%
<i>Employment Completions</i> – includes individuals who completed a Work Experience or TERO OJT assignment.	9	28	500	5.6%
<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.	79	157	750	20.9%
<i>Retention</i> – includes individuals who were retained in their unsubsidized employment through assistance from a Career Services Program.	20	48	300	16.0%
<i>Career Skills Training</i> – includes individuals who completed the Life/Employment Skills Training.	1	1	400	0.3%
<i>WorkKey Credentialing</i> – includes individuals who received a bronze, silver, gold, or platinum WorkKeys credential.	0	0	250	0.0%
<i>Job Bank</i> – includes the number of new individuals entering the TERO Job Bank.	24	68	400	17.0%

<i>Indian Owned Businesses</i> – includes the number of businesses newly certified as an Indian Owned Business.	9	17	200	8.5%
<i>Job Fairs</i> – includes the number of Job Fairs held by Career Services.	0	2	25	8.0%
<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	5	50	10.0%

b. Accomplishments

1. The Day Training Program reports 19 participants attained employment; two within Cherokee Nation, four outside the Cherokee Nation, and 13 with CNB/CNI.
2. The Sector Partnership grant is going strong and we are on target with the Northeast Oklahoma Regional Alliance, to develop and implement a regional plan that includes a vision, findings, results, action steps and indicators of success necessary to implement a plan to achieve the skilled workforce we need to grow and prosper.



3. Cherokee Nation Career Services has partnered with Oklahoma Works (formerly Northeast Oklahoma Workforce). Oklahoma Works staff will now be

located within the Cherokee Nation Claremore Office. Open House was held December 16th.



4. Nearly 20 TLJC Students volunteered at the Cherokee Heritage Festival on November 3rd and 4th.

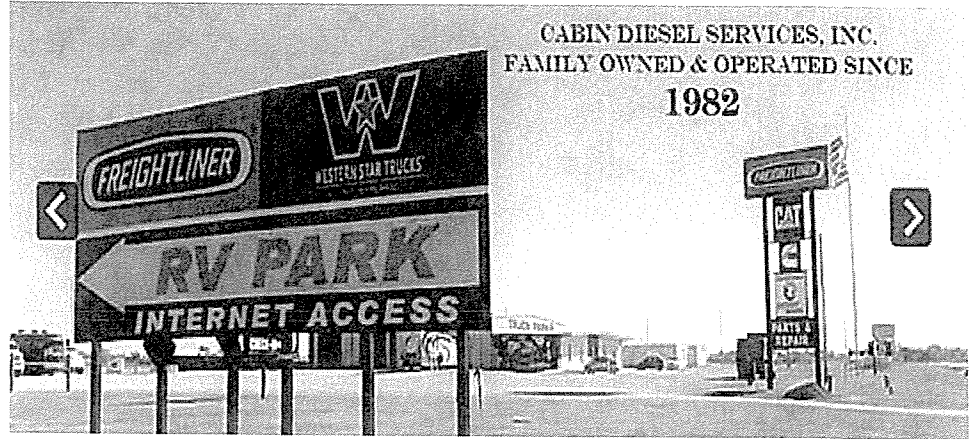
Sector Partnership Dislocated Worker Grant Employer Partnership:

Cabin Diesel Services, Inc.

Cabin Diesel Services is Co-owned by Dwight and Trace Helm, a father/son team from Big Cabin, Ok. Founded in 1982 Cabin Diesel Services provides quality services and repairs to independent truck owners, trucking organizations, and local businesses operating diesel powered truck equipment. They are also a satellite dealer for Premier Trucking (Tulsa), and Freightliner; as well as having official Freightliner certified mechanics.

Cabin Diesel services contracts with our Sector Partnership Dislocated Worker Grant and our Tribal Economic Development program. They hire/pay diesel technicians (mechanics) a starting

pay of at least \$15.00 per hour (top technicians make \$25.00 per hour). They also offer a \$1,000.00 sign on bonus, for technicians, paid over 6 months (60 days = 1st payment, 90 days = 2nd ...etc.) along with health insurance starting at the first of the month after 60 days.



We have placed several dislocated workers and tribal citizens there, with all clients being extremely successful in their training. Most of our program clients are still in OJT training but our current completion/success rate is 100%. A dislocated Cherokee, he completed OJT and was hired in the unsubsidized position, making \$25.00 per hour.

Career Services Program Spotlight – Testing and Assessment:

Testing and Assessment is a part of our Alternative Education Program, managed by Landra Alberty, Alternative Education and Assessment Manager. Career Services employs four individuals certified to administer tests for GED, the High School Equivalency Diploma, the Career Readiness Certificate, Microsoft Office Specialist Certification, State Teacher Certification, and many others. We can provide testing for over 100 different company certifications in any of our four Testing Centers.

We opened our first Testing Center in January 2014 and since that time, have given 4,062 assessments. Our Testing Centers are located in Pryor, Stilwell, Tahlequah, and Sallisaw. The Sallisaw site is for GED only and through a contract with Sallisaw Public Schools. Our sites are small; Pryor can test nine individuals at a time, Stilwell can test six individuals at a time, Tahlequah can test eight individuals at a time, and Sallisaw can test five individuals at a time. We currently test twice a week at Tahlequah, three times a week at Pryor, once a week at Stilwell, and once a month at Sallisaw. We do have the ability to open up other days if needed.

Attached is a list of available exams. Those asterisked are the ones we do often. The numbers to the right are the number of exams available under each individual client name. On page two, in the right margin is the list of state teacher certifications and the number of different exams available for each.

In addition to administering these exams, Testing and Assessment also provides Career Services' clients with TABE, WorkKeys, and other tests needed to determine individuals' readiness for vocational training.

c. Initiatives

1. Several staff will be attending the Eastern Regional Employment and Training Conference in January.

2. Career Services continues to work with CNB on various economic development projects throughout the Cherokee Nation. We are currently working on a new project in South Coffeyville – more information will be provided as the project progresses.
3. Career Services is working with CNB and the AGC Oklahoma Education Foundation on an apprenticeship program to train Cherokee citizens for employment with the construction projects coming up over the next few years. We will be meeting with federal apprenticeship staff in Dallas to determine if funds are available for a pilot project.

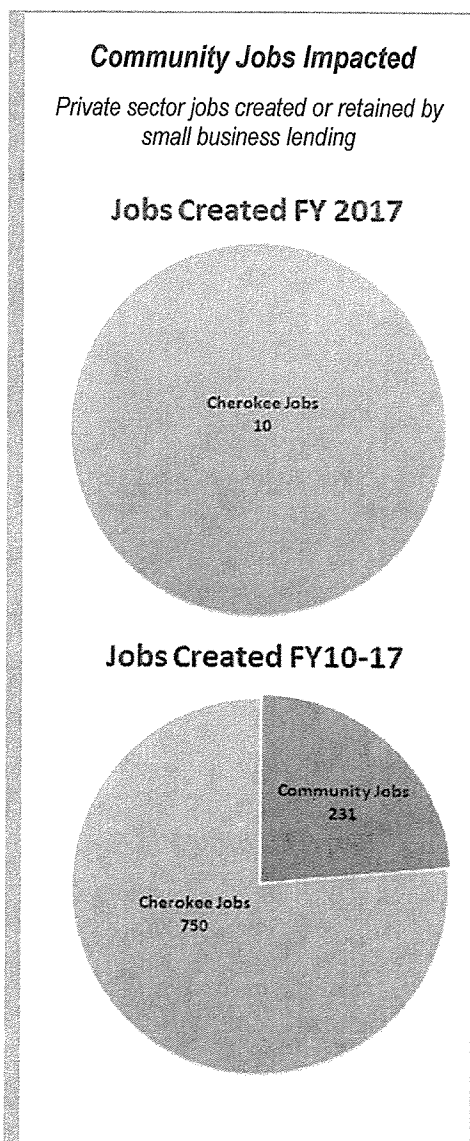
Commerce Group

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

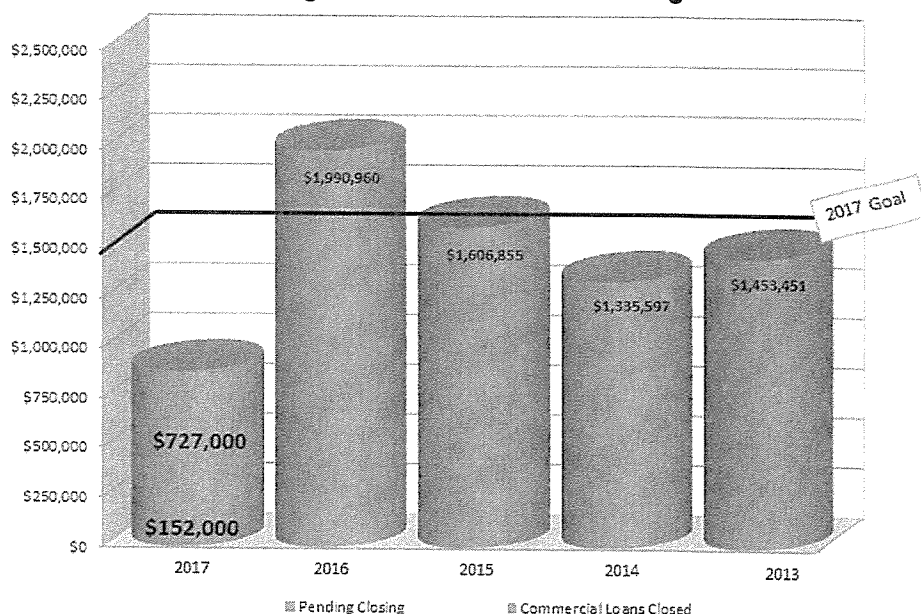
Anna Knight, Executive Director
918-453-5532
anna-knight@cherokee.org

Economic Impact

Invested \$9,595,084.47 in 218 Small Businesses
Since 2010



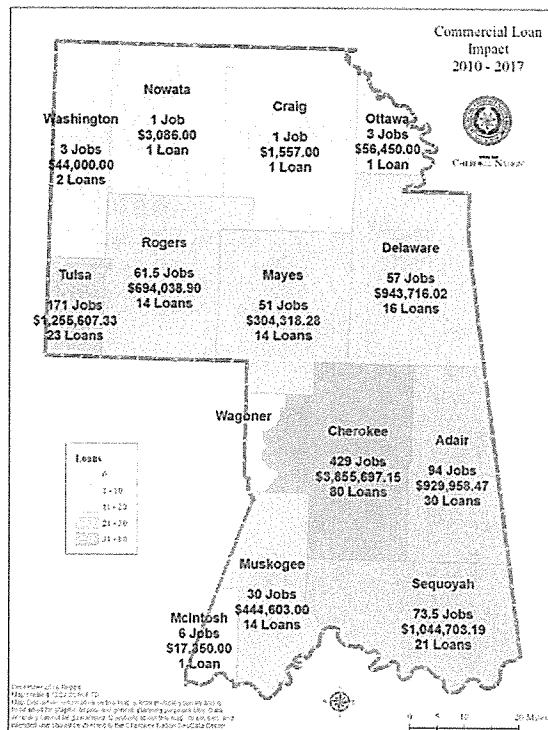
Dollars Invested in the Local Economy
Through Small Business Lending



Lending Assets

Available Commercial Capital	\$836,721
Available Consumer Capital	\$1,096,163
Approved Grants Pending Receipt	\$185,000
Total Available Capital	\$2,117,885
Outstanding Commercial Loans	\$6,432,973
Outstanding Consumer Loans	\$1,357,152
Total Outstanding Loans	\$7,790,124

County Commercial Lending Impact 2010 through 2017



Small Business Loans Closed December 2016

Community	Loan Purpose	Project Costs	Owner Equity	Jobs
Claremore	Retail Start-Up	\$67,000	35%	3
Tahlequah	Retail Start-Up	\$18,000	55%	0
Sallisaw	Transportation	\$57,400	16%	2

Seeking Cherokee business owners interested in one-on-one coaching in the areas of inventory management, executive coaching, marketing and human resources. Please refer anyone interested to Stephen Highers at 918-207-3955 or stephen-highers@cherokee.org.

Commercial Lending Pipeline

(Commercial requests submitted; varying stages completion and/or processing)

Community	County	Business Type	Startup or Expansion
Sallisaw	Sequoyah	Retail Service	Purchase Business
Stilwell	Adair	Landscaping Service	Expansion
Coweta	Wagoner	Laboratory Service	New Business Start-up
Fort Gibson	Muskogee	Graphics Service	New Business Start-up
Tahlequah	Cherokee	Consulting Service	Expansion
Muskogee	Muskogee	Retail - Service	Expansion
Jenks	Tulsa	Landscaping Service	Expansion
Jay	Delaware	Graphics Service	New Business Start-Up

Kawi Café Entrepreneur Program

Total Participants	48
Current Participants	9
Business Start Up	4
Regular Employment	16

Commerce Business Coach Brian Wagnon makes **field visits to meet with clients and entrepreneurs**. He can travel to entrepreneurs and farmers; he can be reached at brian-wagnon@cherokee.org or 918-506-9168. He also holds regular community field days, see schedule below:

Entrepreneur Community Field Days		
Community	Address	Dates
Pryor	One American Way Building 2945 Hwy 69A	1st Tuesday Each Month
Bartlesville	Rogers State University 401 S Dewey - Room 808	2nd Thursday Each Month
Sallisaw	Cherokee Nation 100 East Choctaw	3rd Tuesday Each Month
Tulsa	Cherokee Nation Career Services 10837 E Marshall St., Ste. 101	3rd Thursday Each Month
Claremore	HACN 23205 S Hwy 66	4th Thursday Each Month

The Small Business Assistance Center partners with several groups in our region to provide entrepreneurial training opportunities, which leverages everyone's resources and targets a larger market. Year to date, **entrepreneurial development and business workshops have been attended by 1,551 people**, 100 percent of whom found the training useful to building the capacity of their businesses. SBAC will begin offering additional classes using the Growth Wheel model, which focuses on business specific segments to target strategic growth.

Business/Entrepreneur Workshops			
Date	Location	Time	Workshop
January 10	Muskogee	11:00 am	ICTC, Muskogee Open Office
January 20	Muskogee	8:00 am	ICTC, Introduction to Microsoft Office 2010
February 15	Muskogee	11:30 am	ICTC, Purchasing Card Programs

Artists and Community Tourism – Economic Development

Increasing the business capacity of our Artists and tourism capacity of our communities

The Cherokee Arts Center provides teaching space and specialized equipment for artists to increase their revenues. Year to date, **244 people have attended 35 artist taught classes** and the equipment has been used 236 times by 129 artists.

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 Saturday	1:00 pm	Loom Weaving
Every Saturday	10:00-1:00 pm	Watercolor with Paula Hefley
Every Friday	7:00-9:00 pm	Life Drawing
Every day in January	1, 2 or 3 hr classes	Wolf Walker Jewelry
January 10	6:30-9:00 pm	SEIAA Meeting
January 21	2:00 pm	Tahlequah Writers Group

January 21	4:00 pm	Oklahoma Playwrights
Every Saturday in January	TBD	Baskets with Vivian
January	TBD	Shell Carving
January	TBD	Basket Classes

Year to date, **1,471 people** have taken advantage of the **Cherokee Arts Center** including **878 visitors to the Spider Gallery**.

The **Spider Gallery** currently represents **120 artists**. Year to date sales for the Spider Gallery are \$7,683.32. **Artists have earned \$16,952.77** through Cherokee Arts Center and Spider Gallery activities.

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

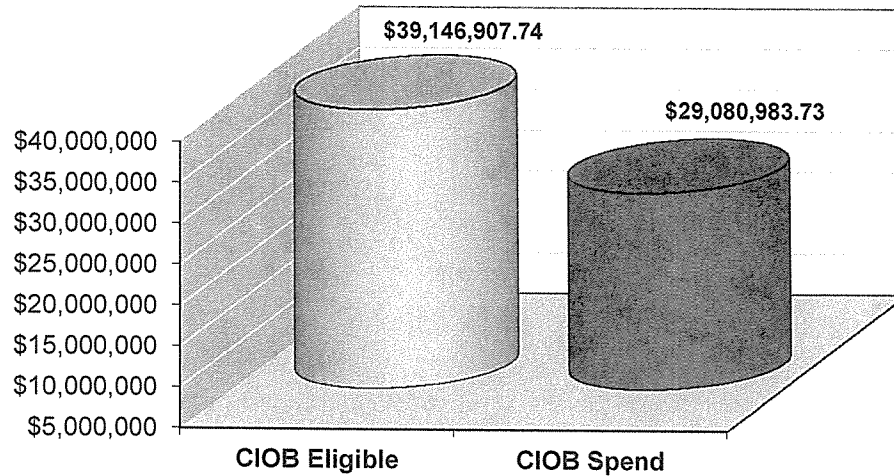
Month/Year of Report: January 2017 (Month Ending November – FY 2017)

Program Highlights

a. Balanced Scorecard Measures

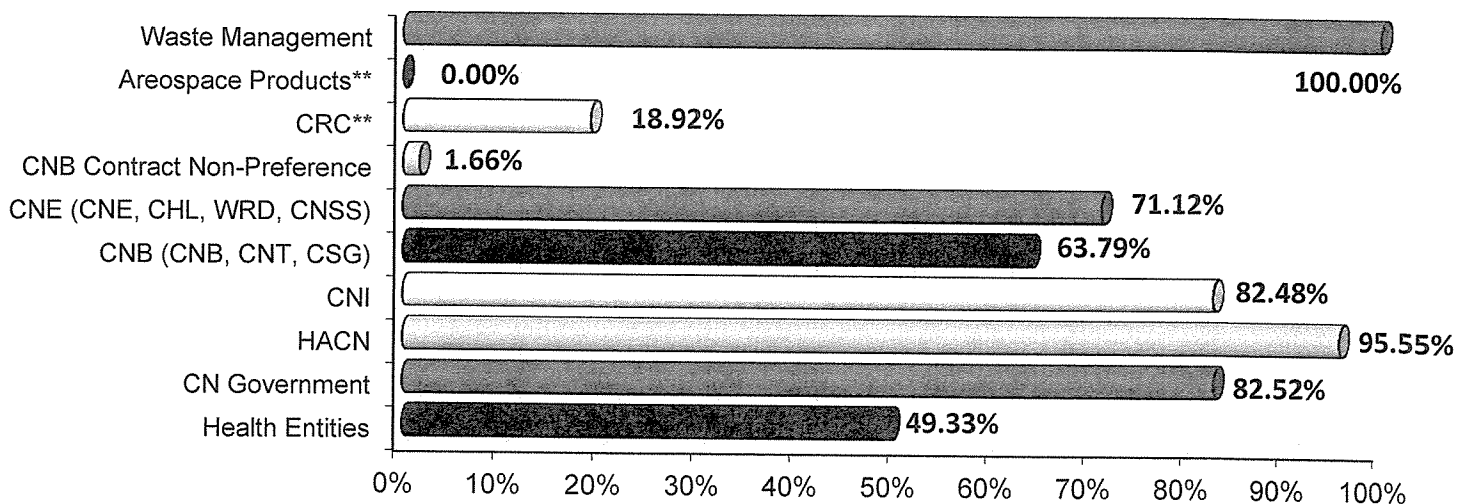
Objective	Metric	2017 Goal	Year to Date Achievement Notes/Comments
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	300/100%	0 /100% 1,640 attending events including ENGAGE Expo
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	80%	74.29% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> • CNE – 50.02% • CN Government - 99.27 % • Health Entities – 100% • CNI – 21.79% • Waste Management - 0%
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB - HACN - CN – 82.9% Health - CNI – CRC – Aerospace -	Business Entities - 62.99% <ul style="list-style-type: none"> • CNE (CNE, CHL, WRD, CNSS) 71.12% • CNB (CNB, CNT, CSG) 63.79% (does not include service contract employees) • CNI 82.48% (does not include service contract employees) • Service Contract Employees (NP) 1.66% (CNB entities) • HACN 95.55% • CN Government 92.52% (does not include IPA/MOA) • Health Entities 49.33% • 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	17
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	200/95%	0 /100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	0.00% - based on \$'s loaned 0.00% - 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% - 241 sites monitored
Effective Monitoring of Bid Openings	# and % Bid Openings Attended	100%	100% - 12 out of 12
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 0 complaints filed; 0 resolved, 0 pending EEOC: 0 complaints filed; 0 resolved, 3 pending

74.29% of CIOB Eligible Procurement Opportunities were awarded to CIOBs



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

62.99% of Employees are registered Cherokee Nation Citizens



**Companies majority, not wholly, owned