



**CHEROKEE NATION™**  
**Businesses**

**Executive and Finance Report**  
**Consolidated Financial Information**  
**September 2013**

# Cherokee Nation Businesses

---

## Executive and Finance Report

September 2013

### Budget Highlights

- September 2013 CNB consolidated net income of \$8.9 million was 15.6% unfavorable to a budget of \$10.6 million.
- CNE net income of \$9.8 million was \$372,000 lower than budget, which was driven by lower revenue of \$377,000. Operating expense was consistent with budget.
- CNI net loss of \$794,000 was \$427,000 unfavorable to budget due to lower than budgeted profitability in the Manufacturing and Distribution Services Divisions.
- Mobility Plus experienced a net loss of \$296,000 compared to budgeted net income of \$57,000. Lower than budgeted revenue was influenced by Medicare's Competitive Bid Program.
- Construction Services net loss of \$185,000 was \$278,000 unfavorable to budget. This was due to lower than anticipated activity on the Sierra Army Depot and higher than budgeted overhead activities.
- The Technology Portfolio net income was \$264,000 below budget primarily due to a one-time unfavorable adjustment to employee expense.
- Healthcare Services and Security and Defense were below budget, but both reported a positive net income for the month.

### Capital Expenditures

September YTD capital expenditures were \$77.8 million for all entities.

- CNE: \$67.5 million – Expansion related costs for construction at Catoosa, Ramona, and Ft. Gibson
- CPM: \$7.7 million – Purchase of American Woodmark Building in Tahlequah (\$5.3mm), Health Clinics (\$2.2mm)
- CNB: \$2.1 million – Deltek Gov't Accounting Software, IT Equipment, Server Replacement, Bldg Remediation
- CNCS: \$67,000 – New Vehicles
- CNI: \$315,000 – Machining Equipment, Forklift, Sales Tax Software, Mechanical Relocation (CNRW)
- CNSD: \$46,000 – Cargo Van
- IT Portfolio \$135,000 – Office Furniture for San Antonio Offices & new server, 2005 Astro Van

### Financing

- CNB has no outstanding borrowings as of September 30, 2013.

# Cherokee Nation Entertainment

---

## Executive and Finance Report

September 2013

### Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• <b>Revenue</b>	Month -	\$45,198	\$45,576	(\$377)	-1%
• <b>Operating Expenses</b>	Month -	\$31,178	\$31,198	(\$19)	0%
• <b>Net Income</b>	Month -	\$9,781	\$10,153	(\$372)	-4%

### Operating Highlights

- CNE net income of \$9.8 million in September was \$372,000 unfavorable to budget.
- Total revenue of \$45.2 million was \$377,000 unfavorable to budget due to lower hotel revenue and higher promotional allowances
- Total operating expense of \$31.2 million was consistent with budget
- The Choctaw casino in Pocola expanded its gaming floor from 1,400 to 2,500 games and added a 130 room hotel tower.
- The Osage Nation has started construction on a replacement casino in Skiatook that will house 300 games, an entertainment venue, and a 33 room hotel. It is expected to open in December 2013.
- 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.
- The United Keetowah Band of Cherokees (UKB) casino has been ordered to cease operations as of August 31, 2013.

### Capital Expenditure Highlights

- Catoosa Casino 3 Rebuild - \$27.3 million
- Ramona Casino - \$3.6 million
- Ft. Gibson Casino - \$11.8 million
- Cherokee Springs Golf Course & improvements - \$9.5 million
- S Coffeyville Casino & Land - \$625,000
- Grove - \$455,000
- Roland - \$80,000
- Big Cabin- \$8,000

# Cherokee Nation Industries

---

## Executive and Finance Report

September 2013

### Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$4,747	\$4,751	(\$4)	0%
• Operating Expenses	Month -	\$5,445	\$5,028	\$417	8%
• Net Income	Month -	(\$794)	(\$367)	(\$427)	-54%

### Operating Highlights

- Net loss was \$794,000 compared to a budgeted net loss of \$367,000.
- CNI's revenue totaled \$4.7 million, which was consistent with budget.
- Total operating expenses of \$5.4 million exceeded budget by \$417,000 due to higher cost of goods sold, employee cost, and consultant expense.
- Manufacturing continues to perform below budget and was partially offset by higher profitability in Distribution Services.

# Technology Portfolio

---

## Executive and Finance Report

September 2013

### Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• <b>Revenue</b>	Month -	\$8,897	\$7,513	\$1,385	18%
• <b>Operating Expenses</b>	Month -	\$8,500	\$6,925	\$1,575	23%
• <b>Net Income</b>	Month -	\$201	\$466	(\$264)	-57%

### Operating Highlights

- The IT Portfolio generated revenue of \$8.9 million compared a budget of \$7.5 million.
- September EBITDA was \$397,000 compared to budgeted EBITDA of \$587,000. The September EBITDA margin of 4.5% was unfavorable to a budget of 7.8%. This was primarily driven by an unfavorable one-time adjustment related to employee expense.
- CSG and CNT revenue of \$2.8 million was unfavorable to prior year by \$419,000 and below budget by \$857,000. The variance was attributable to planned new contract opportunities not being awarded and competitive pricing pressure.
- CNGS, CNTS, and CNMC revenue of \$6.0 million was \$2.2 million favorable to budget. The favorable budget variance was due to increased contract volume during the second and third quarters of FY13. Specifically, in May and June, new firm fixed price contracts with the Air Force, Army and DEA added \$400,000 for the month.
- CNTS won the following contracts during September:
  - Armed Forces Health Surveillance valued at \$20 million.
  - Non-Architect Engineer Services for Marine Forces Reserve Facilities Division valued at \$8.7 million.
  - US ACE Omaha IDIQ A & AS Svcs valued at \$9.5 million.

# Other Diversified Businesses

---

## Executive and Finance Report

September 2013

### Net Income Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• <b>CNSD</b>	Month -	\$42	\$111	(\$69)	-62%
• <b>CNCS</b>	Month -	(\$185)	\$93	(\$278)	-299%
• <b>Mobility Plus</b>	Month -	(\$296)	\$57	(\$354)	-617%
• <b>CMS / CNHS</b>	Month -	\$49	\$85	(\$36)	-42%
• <b>Aerospace Products S.E.</b>	Month -	(\$157)	(\$1)	(\$156)	-99%
• <b>CCRC</b>	Month -	\$198	\$315	(\$119)	-37%

### Operating Highlights

- **CNSD** net income of \$42,000 was unfavorable to a budgeted net income of \$111,000. Decreased activity in the CNRW and SAMD contracts contributed to lower than budgeted net income.
- **CNCS** resulted in a net loss of \$185,000, which was unfavorable to budgeted net income of \$93,000. The unfavorable variance was due to lower than expected activity on the Sierra Army Depot and higher than budgeted overhead activities related to strategic business development.
- **Mobility Plus** resulted in a net loss of \$296,000 compared to budgeted net income of \$57,000. The budget variance was primarily the result of lower than anticipated revenue of \$328,000. The Medicare Competitive Bid Program began on September 1<sup>st</sup>, and has negatively impacted revenue for the month.
- **CMS / CNHS** resulted in a net income of \$49,000 compared to a budgeted net income of \$85,000. The unfavorable budget variance was due to budgeted opportunities not being awarded due to unsuccessful contract bids and delays in contract opportunities.
- **APSE** net loss of \$157,000 was unfavorable to budget. The budget variance was driven by a \$316,000 write-off for slow moving inventory.
- **CCRC** net income of \$198,000 was unfavorable to a budget of \$315,000. 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. Margins increased from prior year due to revenue recognized on the Afghanistan construction project.

**Group:** Career Services- Executive and Finance      **Month/Year of Report:** October, 2013

**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**

	<i>September</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	380	250	152%
<i>Training Completions</i> – includes individuals receiving a nationally-recognized certification, credential, or degree while enrolled in one of 11 different vocational training programs.	52	734	450	163.1%
<i>Employment Completions</i> – includes individuals who completed a Work Experience or TERO OJT assignment.	94	476	300	158.7%
<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.	90	1,115	500	223%
<i>Retention</i> – includes individuals who were retained in their unsubsidized employment through assistance from a Career Services Program.	27	364	200	182%
<i>Job Readiness Training</i> – includes individuals who completed the Life/Employment Skills Training.	27	329	500	65.8%
<i>WorkKey Credentialing</i> – includes individuals who received a bronze, silver, gold, or platinum WorkKeys credential.	35	414	500	82.8%

<i>Job Bank</i> – includes the number of new individuals entering the TERO Job Bank.	19	290	1,000	29%
<i>Indian Owned Businesses</i> – includes the number of businesses newly certified as an Indian Owned Business.	6	121	100	121%
<i>Job Fairs</i> – includes the number of Job Fairs held by Career Services.	0	14	15	93.3%
<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	51	50	124%

**b. Accomplishments**

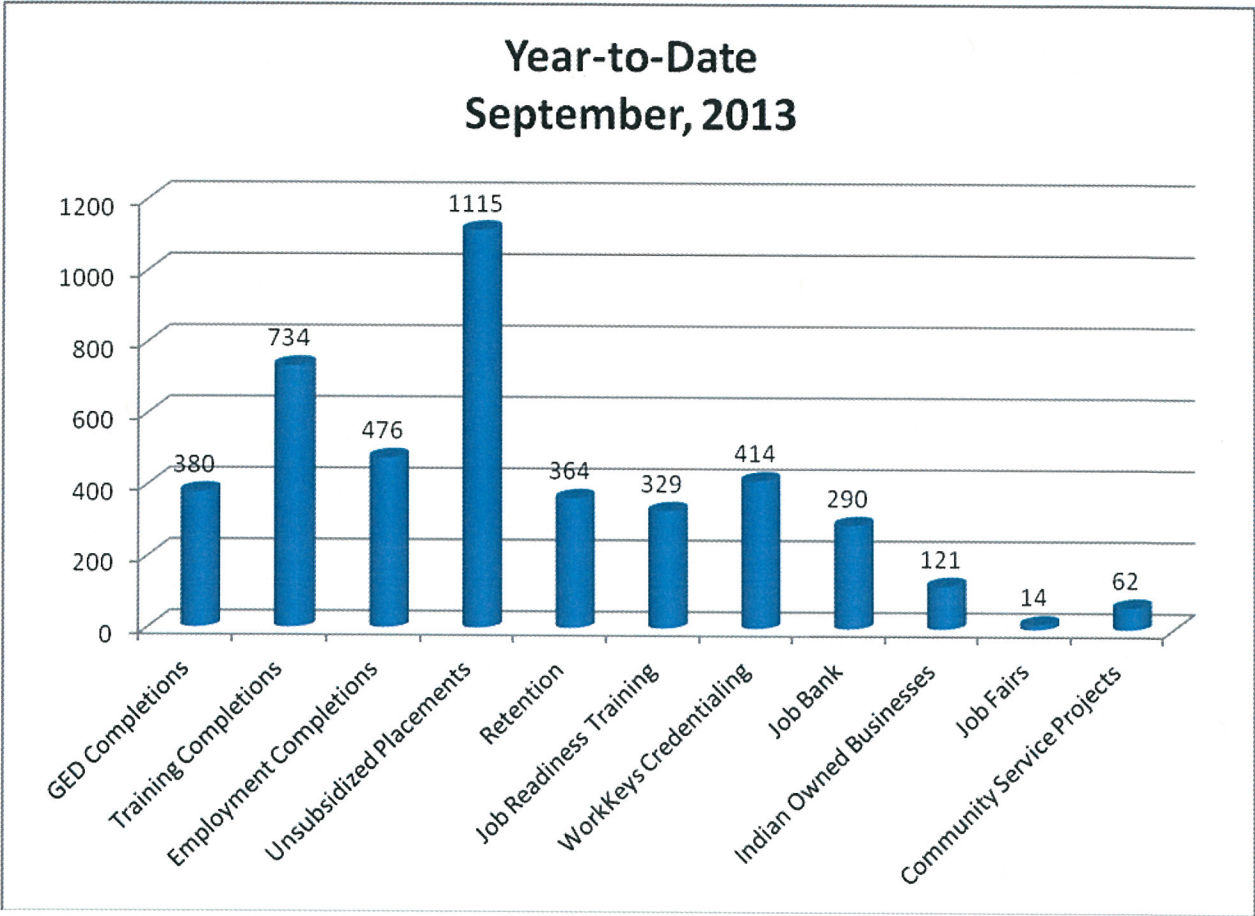
1. The Surgery Technology program had a 100% completion rate for the latest group of students. The national average is 67%.
2. Talking Leaves Job Corps' Culinary program catered the Miss Cherokee Pageant for the Cherokee Nation Holiday and also assisted with the Cherokee Nation Appreciation event.
3. The TLJC Electrical Wiring students continue to volunteer with the Habitat for Humanity by working on the inside of the homes for the needy.
4. The Certified Nursing Assistant program along with the Certified Clinical Medical Assistants class volunteered with the Oklahoma Blood Institute assisting with a Blood Drive.
5. The Oklahoma Blood Institute held an event in Tulsa Oklahoma and awarded Talking Leaves Job Corps the Education Award for the service to the Oklahoma Blood Institute.
6. Talking Leaves Job Corps' established three new Work Based Learning sites – W.W. Hastings Hospital, Stilwell Nursing Home and Muskogee Bone and Joint.
7. Vocational Rehabilitation Counselor Teresa Chuculate was nominated and selected for the Tahlequah Leadership Program, Class 16.

**c. Initiatives**

1. Talking Leaves Job Corps' students are gathering plastic and aluminum products to contribute to the Dream Machine Recycling program on a weekly basis.
2. NACTEP is working to begin having Child Care Associates students that live in the Stilwell area be able to use the Stilwell CDC as part of their training and to help them save on commuting.



- 3. Cherokee Nation Career Services is hosting the National PL 102-477 Training and Technical Assistance Conference at the Hard Rock, October 28 – November 1, 2013.





# **CERTIFIED INDIAN OWNED BUSINESS REPORT**

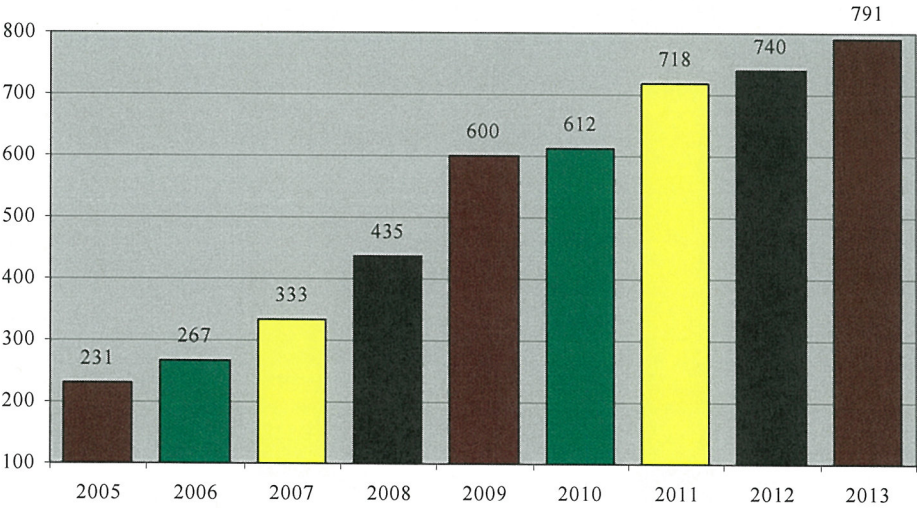
**4th Quarter 2013**

September FY 2013 Quarterly Report

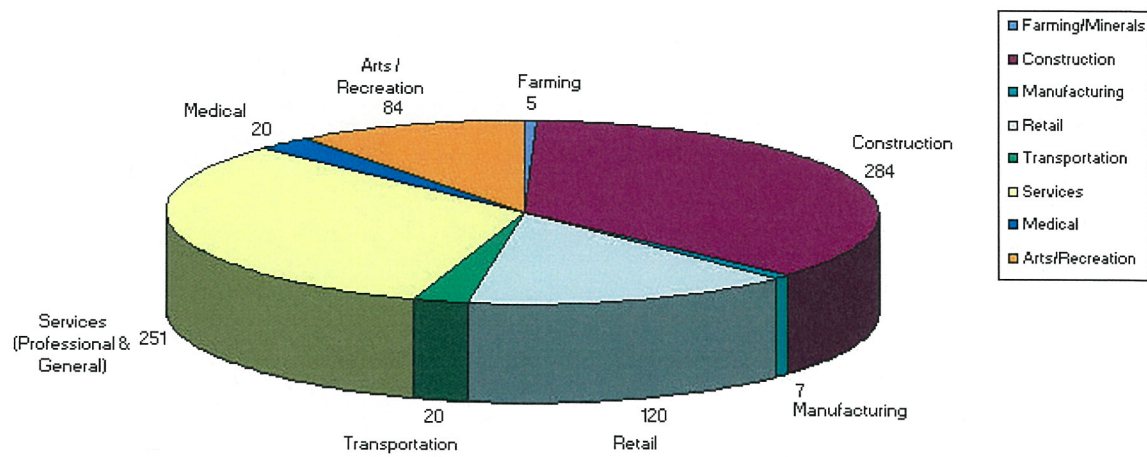
1

# Increased Number of Certified Indian Owned Businesses

Cherokee Nation Certified TERO Total Vendors

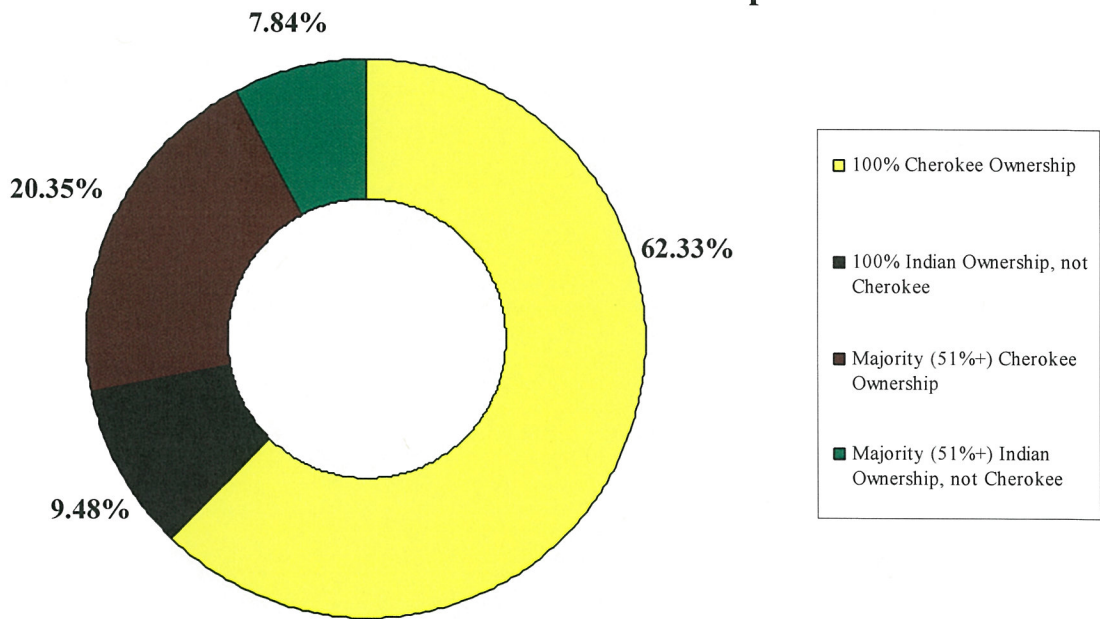


# CIOB by Industry



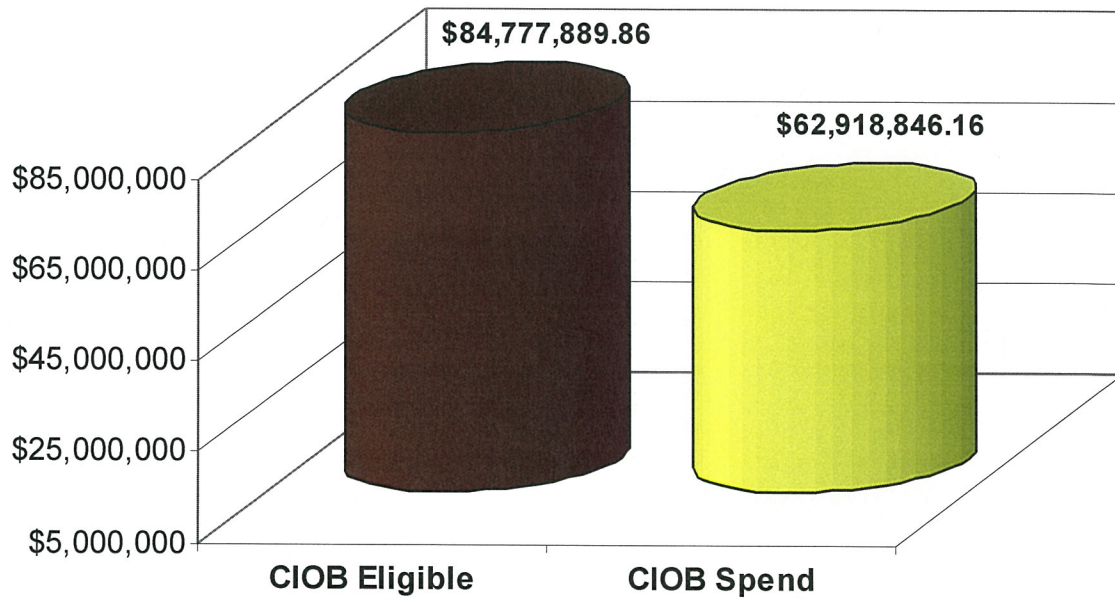
September FY 2013 Quarterly Report

### Certified Indian Owned Businesses Ownership



September FY 2013 Quarterly Report

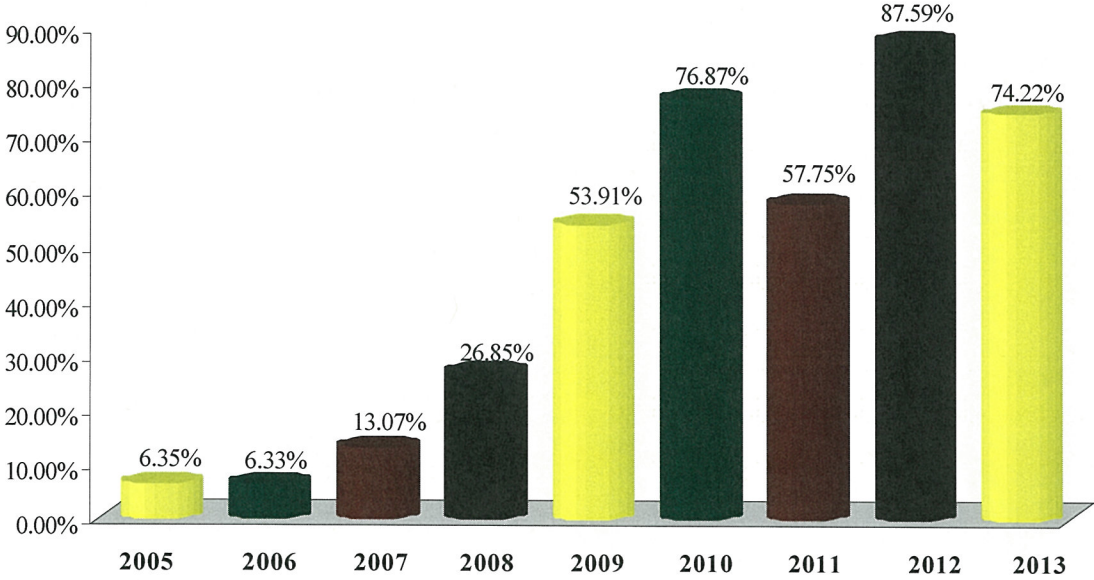
## 74.22 Percent of Eligible Purchases were Awarded to CIOB



September FY 2013 Quarterly Report

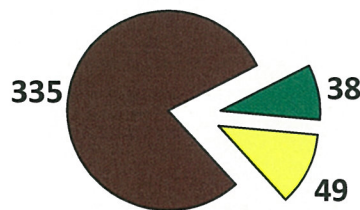
5

**Total Procurement Dollars  
Awarded to Certified Indian Owned  
Businesses in 2013 - \$62,918,846.16**



## 422 Indian Business Owners have Received Business Training

**100% Found Training Beneficial!**

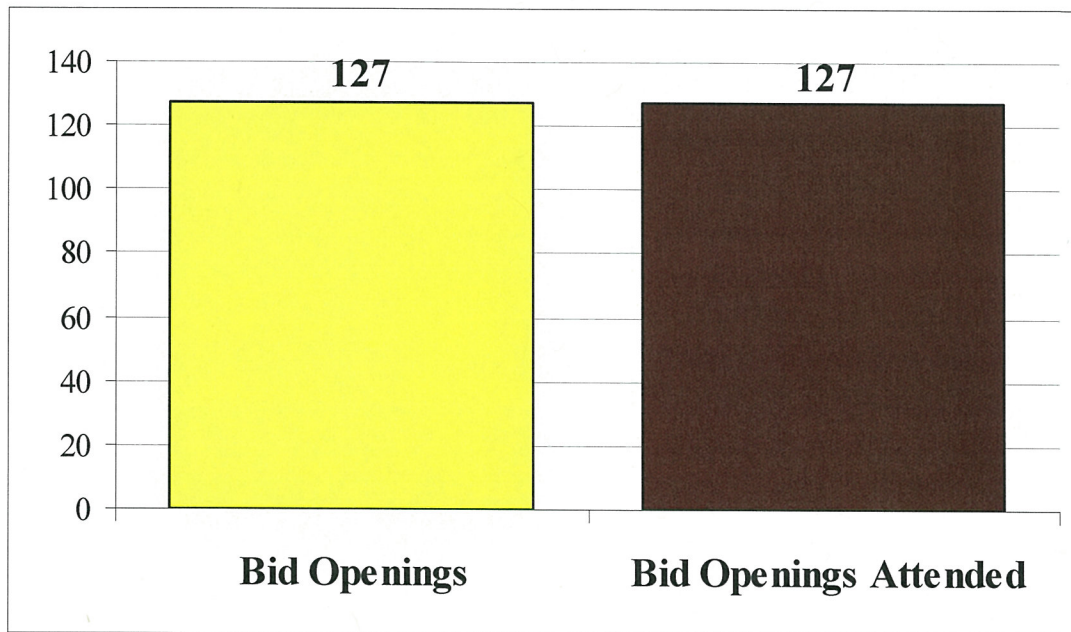


- Workshop Attendance
- One-on-One Training
- Trained Using Collected Fees

September FY 2013 Quarterly Report



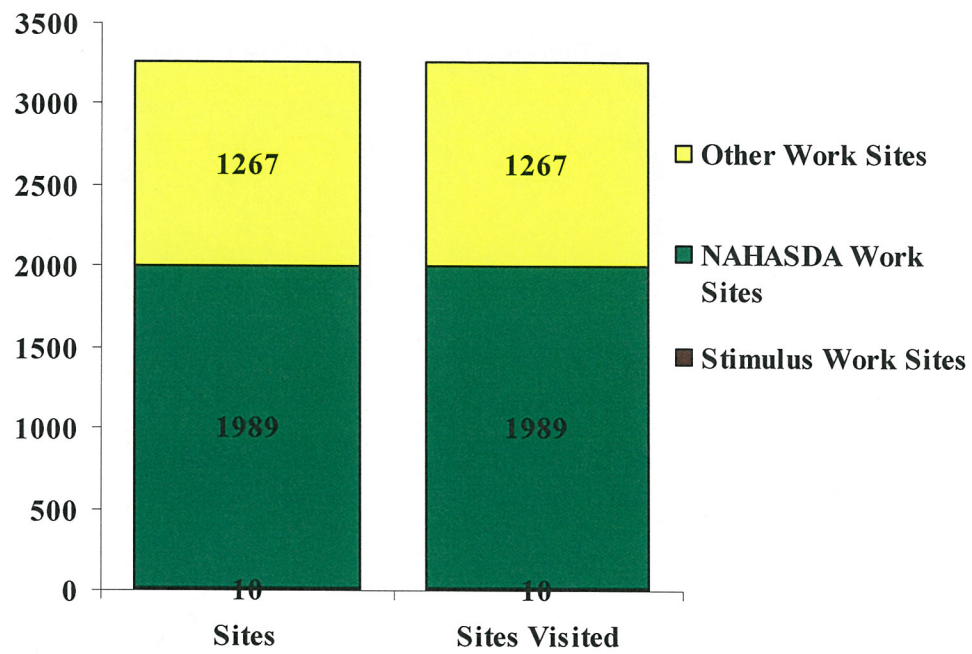
## 100% of Bid Openings Were Monitored by TERO Staff



September FY 2013 Quarterly Report

8

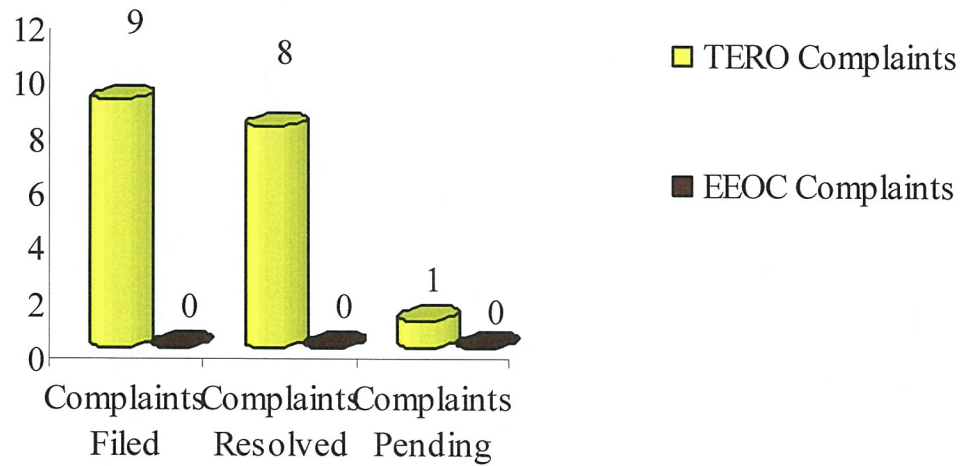
## 100% of Work Sites Were Monitored



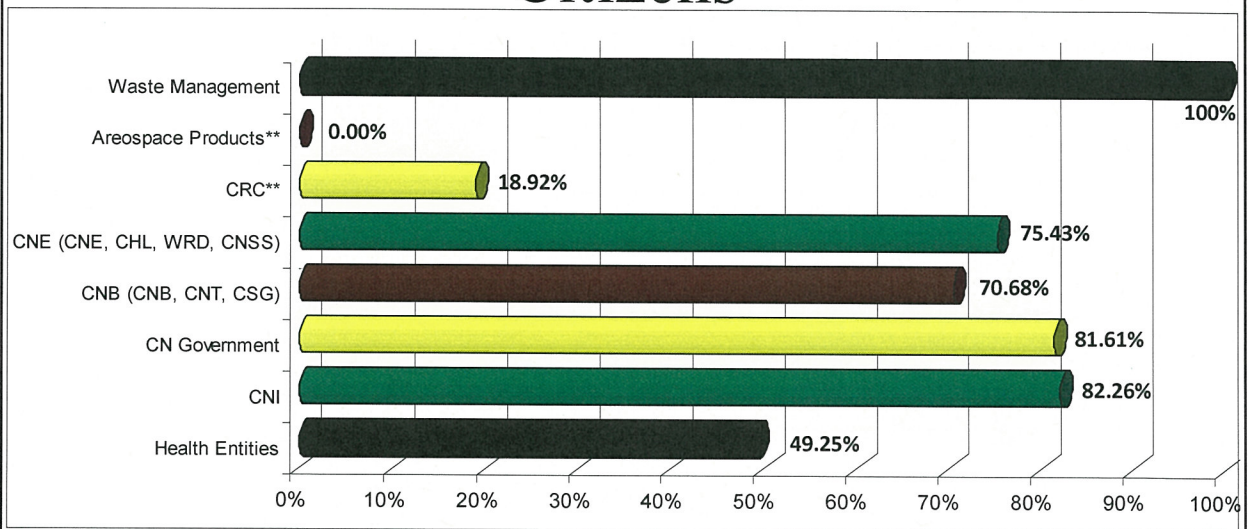
September FY 2013 Quarterly Report

9

# Complaint Resolution



# 76.63 Percent of all Cherokee Nation Employees are Cherokee Nation Citizens



## Initiatives

- Partner with Education Services to hold **Youth Entrepreneurship Day in the northern counties** of the Cherokee Nation.
- TERO met with Southern Plains Tribes to prepare for hosting the **National TERO Conference** on June 30-July 3<sup>rd</sup>.
- **Electronic notification to TERO certified Indian-owned businesses** when a procurement opportunity they qualify for posts on [www.cherokeebids.org](http://www.cherokeebids.org). Notification will be through email and text messaging. The first step in coding vendors has been completed and Information Systems is working on the notification.

## Initiatives

- **CIOB Teaming Program** to increase competitiveness of CIOB on larger contracting opportunities. This program will aid smaller CIOB to find potential teaming partners and work together to jointly bid on projects or subcontract for each other.
- [www.cherokeetero.com](http://www.cherokeetero.com) website – this site lists Certified Indian Owned Businesses for public reference, markets CIOB through internet searches, and provides CIOB opportunities for webpage development

# One Stop Business Center Calendar

Business/Entrepreneur Workshops			
Date	Location	Time	Workshop
October 29	Tahlequah ICTC Campus	10 am to 3 pm	Building a Business Organization Spreadsheet
November 7	Sallisaw ICTC Campus	10 am to 3 pm	Small Business Strategic Financial Management
November 12	RSU Innovation Center, Claremore	9 am to 11 am	Hot Button Issues in the Workplace
November 12	Stilwell ICTC Campus	10 am to 3 pm	Small Business Strategic Financial Management
November 13	City Hall at One Technology Center Tulsa	1 pm to 5 pm	Cherokee Nation Procurement Process
November 20	REI Muskogee ICTC	8:30 am to 4 pm	Comprehensive QuickBooks
November 21	Hard Rock Casino, Tulsa	8 am to 7 pm	TERO Vendor Fair
December 10	Muskogee ICTC	10 am to 3 pm	Small Business Strategic Financial Management
December 11	Muskogee ICTC	9 am to 3 pm	Government Contracting Boot Camp

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

**Month/Year of Report: October 2013**

**Program Highlights**

a. Balanced Scorecard Measures

Objective	Metric	2013 Goal	Year to Date Achievement Notes/Comments
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	500/100%	49/100% we stopped providing training sessions at the TERO Vendor Fair, which affected this number. This goal and/or our method of verifying TERO certification of workshop attendees will be revised in the coming year.
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	75%	74.22% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> <li>• CNE – 64.39%</li> <li>• CN Government - 93.30%</li> <li>• Health Entities – 99.05%</li> <li>• CNI – 41.87%</li> <li>• Waste Management - 100%</li> </ul>
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB - CN – 82.9% Health - CNI – CRC – Aerospace -	Business Entities - 76.63% <ul style="list-style-type: none"> <li>• CNE (CNE, CHL, WRD, CNSS) 75.43%</li> <li>• CNB (CNB, CNT, CSG) 70.68% (does not include service contract employees)</li> <li>• CN Government 81.61% (does not include IPA/MOA)</li> <li>• Health Entities 49.25%</li> <li>• CNI 82.26% (does not include service contract employees)</li> <li>• CRC 18.92% (not wholly owned by CN)</li> <li>• Aerospace 0% (not wholly owned by CN)</li> <li>• Waste Management 100%</li> </ul>
Increase Indian-Owned Business Certifications	# Newly Certified Indian-Owned Businesses	80	129
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	300/95%	335/100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	21.61% - based on \$'s loaned 20.00% - based on number of loans made
Effective Usage of Fees Collected	# Trained	100	38
Effective Monitor of Work Sites – Construction and Housing	# Monitoring Visits	90%	100% - 3,266 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	100% - 127
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 9 complaints filed; 8 resolved, 1 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**.

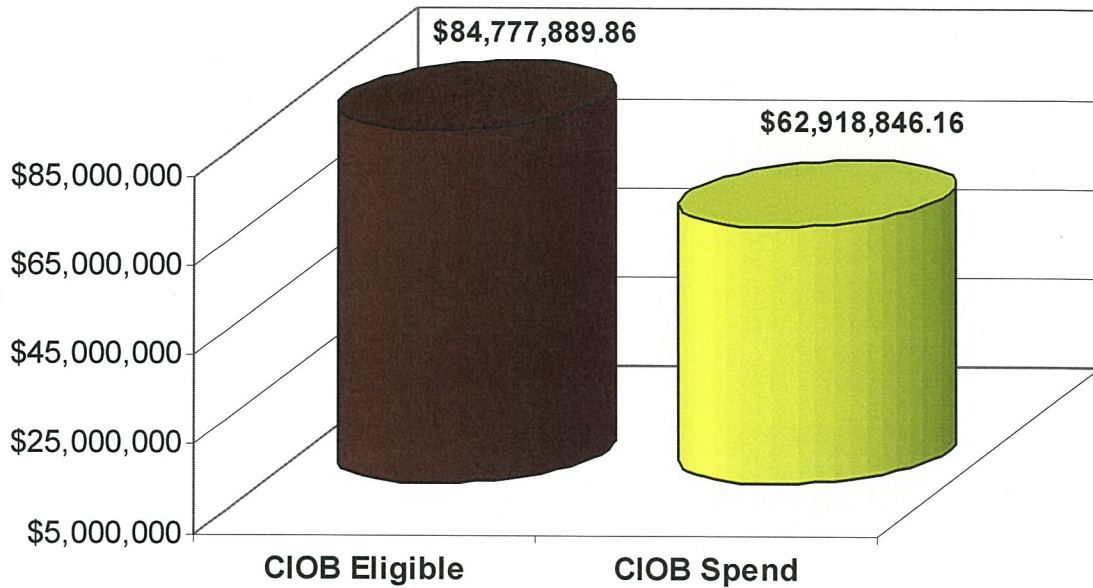


c. Future plans/new initiatives:

1. Partner with Education Services and Rogers State University 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. **Electronic notification to TERO certified Indian-owned businesses** when a procurement opportunity they qualify for posts on [www.cherokeebids.org](http://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.

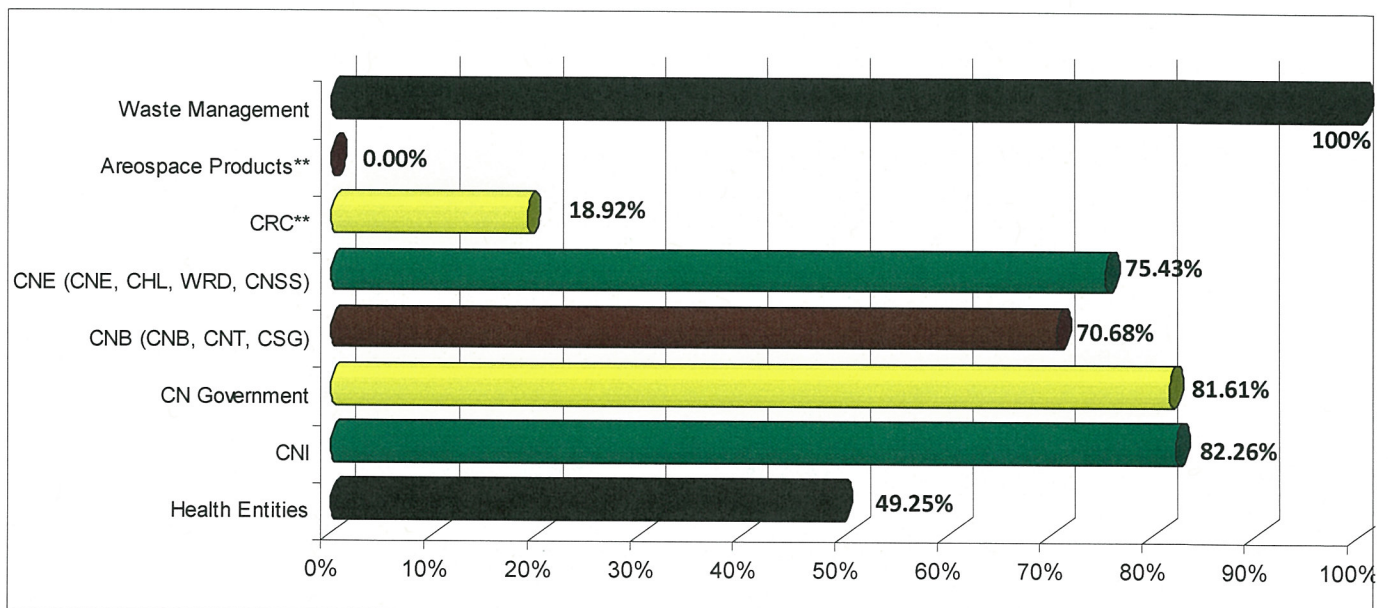
<b>Business/Entrepreneur Workshops</b>			
<b>Date</b>	<b>Location</b>	<b>Time</b>	<b>Workshop</b>
October 29	Tahlequah ICTC Campus	10 am to 3 pm	Building a Business Organization Spreadsheet
November 7	Sallisaw ICTC Campus	10 am to 3 pm	Small Business Strategic Financial Management
November 12	RSU Innovation Center, Claremore	9 am to 11 am	Hot Button Issues in the Workplace
November 12	Stilwell ICTC Campus	10 am to 3 pm	Small Business Strategic Financial Management
November 13	City Hall at One Technology Center Tulsa	1 pm to 5 pm	Cherokee Nation Procurement Process
November 20	REI Muskogee ICTC	8:30 am to 4 pm	Comprehensive Quickbooks
November 21	Hard Rock Casino, Tulsa	8 am to 7 pm	TERO Vendor Fair
December 10	Muskogee ICTC	10 am to 3 pm	Small Business Strategic Financial Management
December 11	Muskogee ICTC	10 am to 3 pm	Government Contracting Boot Camp

**74.22% of CIOB Eligible Procurement Opportunities were awarded to CIOBs**



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

**76.63% of Employees are registered Cherokee Nation Citizens**



\*\*Companies majority, not wholly, owned

Group: Commerce

Month/Year of Report: October 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	<b>Commercial: \$0.00</b>  <i>Approved Loans Pending Closing</i> <ul style="list-style-type: none"><li>• Gunsmith \$69,460 (2 jobs)</li><li>• Logging Company \$35,000 (9 jobs)</li></ul> <b>Consumer: \$57,905.00 (44 loans)</b>
Investment in Economy	Tourism Dollars		
	a) Community Tourism & Business Development	a) \$125,000	a) \$0.00 ( <i>all loans to artist &amp; tourism</i> )
	b) Tourism Business Income	b) \$50,000	b) \$7,259.50 ( <i>income to artists/communities</i> )
Job Creation	a) # Small Business Jobs Created/Maintained	a) 100	a) 0 (0 Cherokee)
	b) Percentage Cherokee (or Cherokee Family) Employed	b) 100%	b) 0%
Effective Business Training	# Attendees and % Indicating usefulness	1,500/100%	483 / 100%
CN Holiday	a) % Increase Sponsorships	a) 5%	a) 13%
	b) % Increase in Community Games Participation/Holiday Cultural Events	b) 5%	b) 5%

b. Notable accomplishments

1. **Commercial Loans Closed –YTD – Commercial Loans Closed –YTD** – No loans closed for October.
2. **Collateral for Commercial Loans Closed in March 2013** – No loans closed for October.
3. **Charged Off Loans** – Commercial: YTD Total – \$0.00, Tribal: YTD Total – \$0.00, Employee: YTD Total - \$0.00.
4. **Northeast Oklahoma Regional Alliance (NORA) Regional Summit was held October 8<sup>th</sup>** and was a great success. Approximately **300 community leaders from throughout the Cherokee Nation attended** this event and received timely information on growing our regional economy. All feedback was very positive and planning underway for the 6<sup>th</sup> annual regional summit to be held in October 2014.

c. Future plans/new initiatives

- 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.
- Opening Kawi Café in the old Cort Mall building in Tahlequah in the next four months. This will be an **experiential entrepreneurial training center** funded by ANA. This is a joint project between Commerce and Career Services.
- Seeking funds to increase capacity in **consumer loan programs**.

• **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 being designed and will run from January through April 2014. We will be seeking vendor sponsorship for this event and anticipate cash prizes to start or expand a business.

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

▪ IRP:	\$588,625.26	▪ CDFI:	\$0.00
▪ Commercial:	\$281,776.00	▪ Consumer Lending:	\$150,516.27

Based on September bank statements

**Note: we have received award notifications for \$400,000 in micro lending funds and \$1,250,000 in small business funds, which have not yet been deposited or drawn down from the funders.**

<b>Business/Entrepreneur Workshops</b>			
<b>Date</b>	<b>Location</b>	<b>Time</b>	<b>Workshop</b>
October 29	Tahlequah ICTC Campus	10 am to 3 pm	Building a Business Organization Spreadsheet
November 7	Sallisaw ICTC Campus	10 am to 3 pm	Small Business Strategic Financial Management
November 12	RSU Innovation Center, Claremore	9 am to 11 am	Hot Button Issues in the Workplace
November 12	Stilwell ICTC Campus	10 am to 3 pm	Small Business Strategic Financial Management
November 13	City Hall at One Technology Center Tulsa	1 pm to 5 pm	Cherokee Nation Procurement Process
November 20	REI Muskogee ICTC	8:30 am to 4 pm	Comprehensive Quickbooks
<b>November 21</b>	<b>Hard Rock Casino, Tulsa</b>	<b>8 am to 7 pm</b>	<b>TERO Vendor Fair</b>
December 10	Muskogee ICTC	10 am to 3 pm	Small Business Strategic Financial Management
December 11	Muskogee ICTC	10 am to 3 pm	Government Contracting Boot Camp