

COUNCIL OF THE CHEROKEE NATION  
EXECUTIVE & FINANCE COMMITTEE REPORT

**Group:** Financial Resources

**Month/Year of Report:** March 2014

**Treasurer:** Lacey Horn

**Phone:** 207-3902

**E-mail:** [lacey-horn@cherokee.org](mailto:lacey-horn@cherokee.org)

- I. Budget Highlights – through February
  - a.) Financial Resources – 35% spent
  - b.) Treasurer – 30% spent
  - c.) IIM – 38% spent
  - d.) Acquisition Management – 40% spent
  - e.) Records Management – 36% spent
  - f.) Support Services – 43% spent
  - g.) Employee Performance Incentive – 100% spent
- II. Program Highlights
  - a.) Balance Scorecard Measures
    - 1. Complete FY13 Audit – 75% complete
    - 2. Obtain Unqualified Audit Opinion – 100% complete
    - 3. No Material Weaknesses on Single Audit – 0% complete
    - 4. Obtain GFOA Award for FY12 CAFR – 100% complete
    - 5. Reports completed & submitted by due dates – 100% complete for reports due by 2/28/2014 and 3/31/2014
  - b.) Accomplishments
    - 1. Completed FY 2013 CAFR and obtained Unqualified Audit Opinion
    - 2. Completed FY 2013 PAFR
    - 3. Attended “Putting ACH Payments to Work for Your Organization” in Tulsa on March 12<sup>th</sup>
  - c.) Future Plans/New Initiatives
    - 1. Lawson upgrade continues
    - 2. OMB training in May
    - 3. Single Audit underway

COUNCIL OF THE CHEROKEE NATION  
EXECUTIVE & FINANCE COMMITTEE REPORT

<b>Cherokee Nation Acquisition Management Year-To-Date Report Over \$5,000 Transactions October 1, 2013 through September 30, 2014</b>		<b>% of sub-total TERO vendor submitted Bid</b>
Award to TERO Vendor	\$ 8,710,087.37	86.73%
Award to non-TERO Vendor	\$ 1,333,235.30	13.27%
<b>Sub-total bids with a TERO vendor participating</b>	<b>\$ 10,043,322.67</b>	<b>100.0%</b>
Bid - no bids submitted by TERO Vendors	\$ 1,654,424.32	
October 1, 2013 through February 28, 2014		



# **CHEROKEE NATION™** **Businesses**

**Executive and Finance Report**  
**Consolidated Financial Information**  
**February 2014**

# Cherokee Nation Businesses

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## Executive and Finance Report

February 2014

### Budget Highlights

- February 2014 CNB consolidated net income of \$11.4 million was 12.0% unfavorable to a budget of \$13.0 million.
- CNE EBITDA of \$16.6 million was \$2.3 million unfavorable to budget. Total revenue was \$2.6 million below budget, which was negatively impacted by winter weather that affected all properties the first week in February.
- CNI EBITDA of \$14,000 was favorable to budget by \$321,000 due to higher profitability in the Manufacturing and Distribution Service divisions.
- Construction Services EBITDA of \$259,000 was \$213,000 above budget. The positive variance was the result of higher activity at the Tinker AFB and the Mechanical Division in Dover, DE.
- Combined, all other entities were \$47,000 favorable to budget.

### Capital Expenditures

February YTD capital expenditures were \$18.4 million for all entities.

- CNE: \$11.4 million
  - Expansion: \$4.1 million – Casino III Hard Rock rebuild, S Coffeyville, Cherokee Springs, WSS Langley Prop Purchase
  - Strategic: \$4.7 million – Roland Structural Improvements, Cherokee Tower Renovation, E-game purchase, Currency Counters
  - Maintenance - \$2.6 million
- CPM: \$3.8 million – Health clinic construction / expansion.
- CNB: \$2.9 million – IGT Advantage Enterprise upgrade, IT virtualization.
- CNCS: \$87,000 – Purchase new vehicles.
- CNI: \$133,000 – Relocate Mazak laser from Kellyville to Pryor and maintenance costs.

### Financing

- CNB has no outstanding borrowings as of February 28, 2014.



# Cherokee Nation Entertainment

## Executive and Finance Report

February 2014

### 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 -	\$47,169	\$49,803	(\$2,635)	-5%
• <b>Operating Expenses</b>	Month -	\$30,597	\$30,932	(\$334)	-1%
• <b>EBITDA</b>	Month -	\$16,572	\$18,872	(\$2,300)	-12%

### Operating Highlights

- CNE EBITDA of \$16.6 million in February was \$2.3 million below to budget.
- Total revenue of \$47.2 million was \$2.6 million below budget.
- All of the CNE properties experienced a shortfall in revenue as a result of the snow storm that took place the first week in February. It is estimated that the total impact to eGame revenue was at least \$1.6 million.
- Total operating expense of \$30.6 million was \$334,000 favorable to budget. The two primary drivers were lower than anticipated employee and gaming related expense.
- 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 completed construction on a replacement casino in Skiatook that houses 300 games, an entertainment venue, and a 33 room hotel. It opened December 9<sup>th</sup>, 2013.
- 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 has been ordered to cease operations as of August 31, 2013.
- The Roland property underwent roof construction which started in September 2013 and finished at the end of December. The construction was broken into phases. During each phase, eGame machines were unavailable for play.

### Capital Expenditure Highlights

- Expansion related costs for Tahlequah, South Coffeyville, Catoosa, and WSS Langley Purchase – \$4.1 million
- Currency Counters - \$1.3 million
- Roland Structural Improvements - \$646,000
- Cherokee Tower Renovation - \$1.2 million
- Install of Micros Symphony (F&B System) - \$376,000
- LED light conversions - \$174,000
- eGame purchases - \$227,000
- Cage remodel at Catoosa - \$267,000

# Cherokee Nation Industries

## Executive and Finance Report

February 2014

### Budget Highlights

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$4,925	\$5,147	(\$222)	-4%
• Operating Expenses	Month -	\$4,911	\$5,454	(\$543)	-10%
• EBITDA	Month -	\$14	(\$307)	\$321	105%

### Operating Highlights

- EBITDA of \$14,000 was \$321,000 favorable to budget. The positive variance was driven by higher than expected profitability in the Manufacturing and Distribution divisions of \$189,000 and \$109,000, respectively. Lower than budgeted Corporate Overhead expense of \$25,000 also drove the positive variance.
- CNI's revenue totaled \$4.9 million, which was \$222,000 below budget. This was driven by lower than budgeted revenue in Manufacturing and Distribution Services.
- Total operating expenses of \$4.9 million were \$543,000 lower than budget, primarily driven by lower cost of goods sold associated with lower revenue. Additionally, a one-time adjustment of \$281,000 further drove the positive budget variance.

# Technology Portfolio

## Executive and Finance Report

February 2014

### 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 -	\$10,196	\$9,672	\$524	5%
• <b>Operating Expenses</b>	Month -	\$9,587	\$8,861	\$726	8%
• <b>EBITDA</b>	Month -	\$609	\$811	(\$202)	-25%

### Operating Highlights

- The IT Portfolio generated revenue of \$10.2 million compared a budget of \$9.7 million.
- February EBITDA was \$609,000 compared to budgeted EBITDA of \$811,000. The variance was the result of planned contract awards for the fiscal year not materializing in the projected timeframe.
- CSG and CNT revenue of \$2.6 million was unfavorable to budget by \$866,000. The budget variance was due to contract opportunities not being awarded and decreased billable time for the month.
- CNGS, CNTS, and CNMC revenue of \$6.7 million was \$699,000 favorable budget. The favorable budget variance was attributable to four new firm fixed price contracts beginning in October.

# Other Diversified Businesses

## Executive and Finance Report

February 2014

### EBITDA 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 -	\$19	\$107	(\$87)	-82%
• <b>Construction</b>	Month -	\$259	\$45	\$213	469%
• <b>Mobility Plus</b>	Month -	(\$126)	(\$6)	(\$120)	-2180%
• <b>CMS / CNHS</b>	Month -	\$144	(\$18)	\$162	-907%
• <b>Aerospace Products S.E.*</b>	Month -	\$38	\$40	(\$2)	-5%
• <b>CCRC*</b>	Month -	\$218	(\$30)	\$248	114%

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

### Operating Highlights

- **CNSD** EBITDA of \$19,000 was \$87,000 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 of \$259,000 was \$213,000 favorable to a budget of \$45,000. The favorable variance was the result of higher than expected activity at the Tinker AFB and the Mechanical Division in Dover, DE.
- **Mobility Plus** resulted in an EBITDA loss of \$126,000 compared to budgeted EBITDA loss of \$6,000. The budget variance was primarily the result of lower than anticipated revenue. The decreased revenue was attributable to the inclement weather experienced at all locations during the month which impacted both orders and deliveries.
- **CMS / CNHS** resulted in an EBITDA of \$144,000 which was favorable to budget by \$162,000. This was primarily due to a favorable adjustment related to a settlement with Humana.
- **APSE** net income was \$38,000 compared to a budget of \$40,000. Lower revenue of \$247,000 was offset by lower cost of goods sold and employee expense.
- **CCRC** net income of \$218,000 was \$248,000 favorable to budget, which drove lower margins. This was driven by higher revenue at Picatinny and the BIA project.

Group: Career Services-  
Employment

Month/Year of Report: March, 2014

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>February</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.	12	102	250	40.8%
<i>Training Completions</i> – includes individuals receiving a nationally-recognized certification, credential, or degree while enrolled in one of 11 different vocational training programs.	65	230	450	51.1%
<i>Employment Completions</i> – includes individuals who completed a Work Experience or TERO OJT assignment.	8	86	300	28.7%
<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.	82	432	500	86.4%
<i>Retention</i> – includes individuals who were retained in their unsubsidized employment through assistance from a Career Services Program.	7	87	200	43.5%
<i>Job Readiness Training</i> – includes individuals who completed the Life/Employment Skills Training.	19	110	250	44.0%
<i>WorkKey Credentialing</i> – includes individuals who received a bronze, silver, gold, or platinum WorkKeys credential.	0	50	500	10.0%
<i>Job Bank</i> – includes the number of new individuals entering the TERO Job Bank.	17	87	500	17.4%
<i>Indian Owned Businesses</i> – includes the number of businesses newly certified as an Indian Owned Business.	4	40	100	40.0%

<i>Job Fairs</i> – includes the number of Job Fairs held by Career Services.	1	1	15	06.7%
<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.	7	23	50	46.0%

**b. Accomplishments**

1. Daryl Legg, Director of Vocational Programs, was elected as Vice-Chair for the Oklahoma Native American Re-Entry Alliance.
2. In addition to the WorkKeys testing, GED is picking up, but we tested 42 for the OK Teacher Certification the last two weeks at both Stilwell and Tahlequah.
3. Career Services held a Managerial Retreat March 20 at West Siloam Springs. Guest Speakers included Nason Morton, Interim Executive Director of Human Resources and Chuck Hoskin, Jr., Secretary of State.

**c. Initiatives**

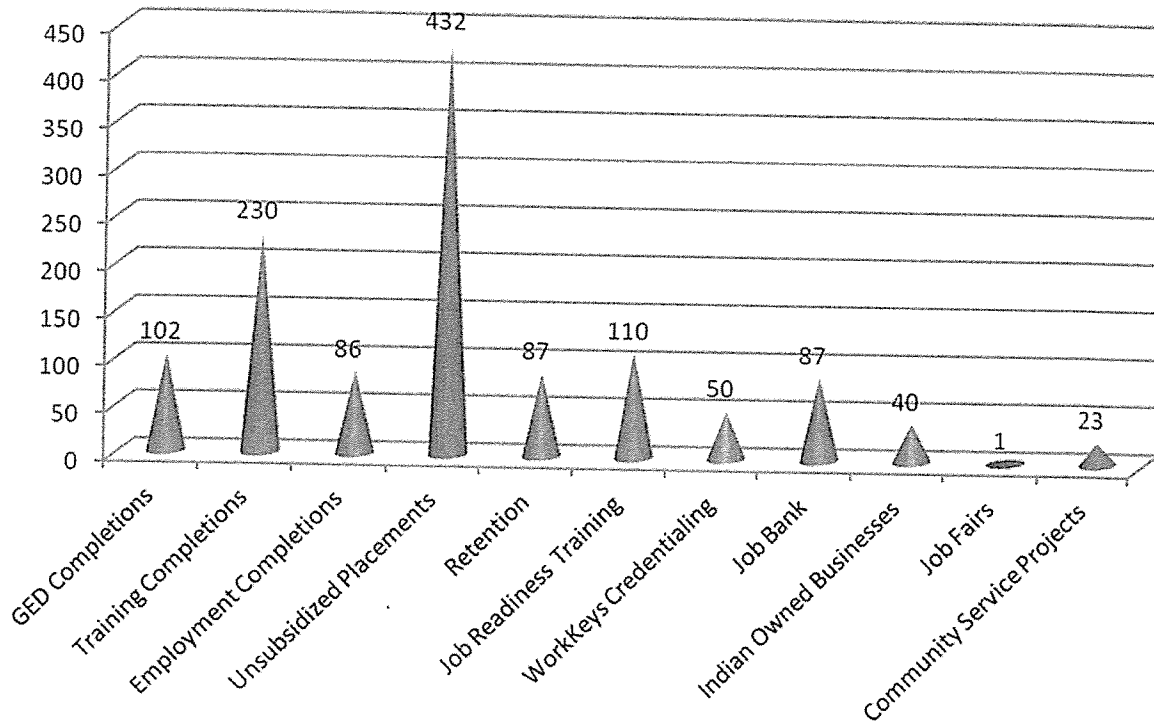
1. Vocational Rehabilitation Program will have a Program Review, by a Principal Investigator approved by the U.S. Department of Education, Rehabilitation Services Administration.
2. Staff attending and participating in the Consortia of Administrators for Native American Rehabilitation (CANAR) Annual Conference in Albuquerque, New Mexico April 21-25, 2014.
3. Food Services' Specialized Training with North East Technology Center and Indian Capital Area Technology Center; to begin in April 2014 and run through September 2014.
4. Disability Awareness Day at the State Capitol in OKC on April 2, 2014.
5. Career Services is applying for a YouthBuild grant through the Department of Labor. The application is due April 22, 2014.

**GED TESTING FRAUD NOTICE**

Career Services has been getting a lot of questions about GED Credentialing. GED Tests taken "online" are not worth the paper they are printed on. The GED Tests are NOT AVAILABLE ONLINE. You have to appear in person, at a certified testing center. Please follow this link for more information: <http://www.gedtestingservice.com/testers/test-fraud>



## February 2014 Year-to-Date

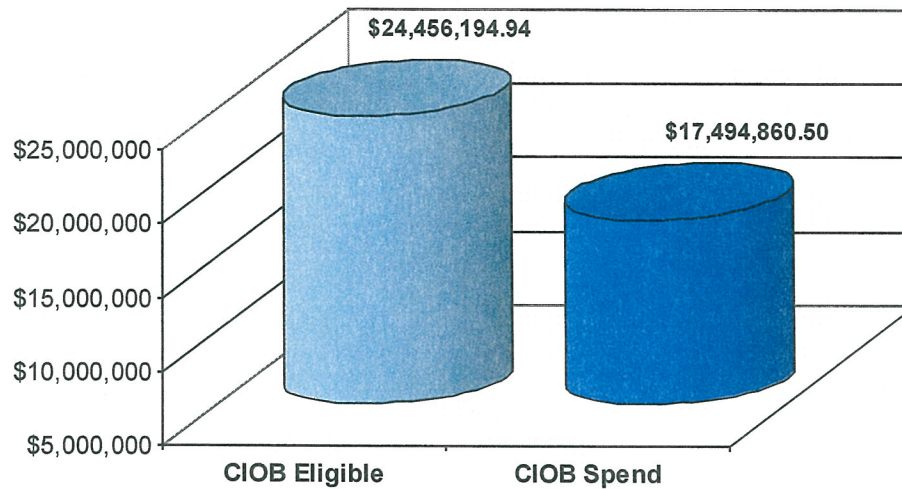


**Group: Certified Indian Owned Businesses (Career and Commerce Services)****Month/Year of Report: March 2014****Program Highlights****a. Balanced Scorecard Measures**

<b>Objective</b>	<b>Metric</b>	<b>2014 Goal</b>	<b>Year to Date Achievement Notes/Comments</b>
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	300/100%	68 /100%
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	80%	71.54% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"><li>• CNE – 62.47%</li><li>• CN Government - 86.73%</li><li>• Health Entities – 100%</li><li>• CNI – 27.08%</li><li>• Waste Management - 0%</li></ul>
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB - CN – 82.9% Health - CNI – CRC – Aerospace -	Business Entities - 76.61% <ul style="list-style-type: none"><li>• CNE (CNE, CHL, WRD, CNSS) 74.70%</li><li>• CNB (CNB, CNT, CSG) 77.17% (does not include service contract employees)</li><li>• CN Government 81.96% (does not include IPA/MOA)</li><li>• Health Entities 47.08%</li><li>• CNI 82.20% (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	150	46
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	200/95%	95 /100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	13.49% - based on \$'s loaned 11.11% - 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% 813 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	100% - 38
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 2 complaints filed; 0 resolved, 2 pending EEOC: 0 complaint filed; 0 resolved, 0 pending

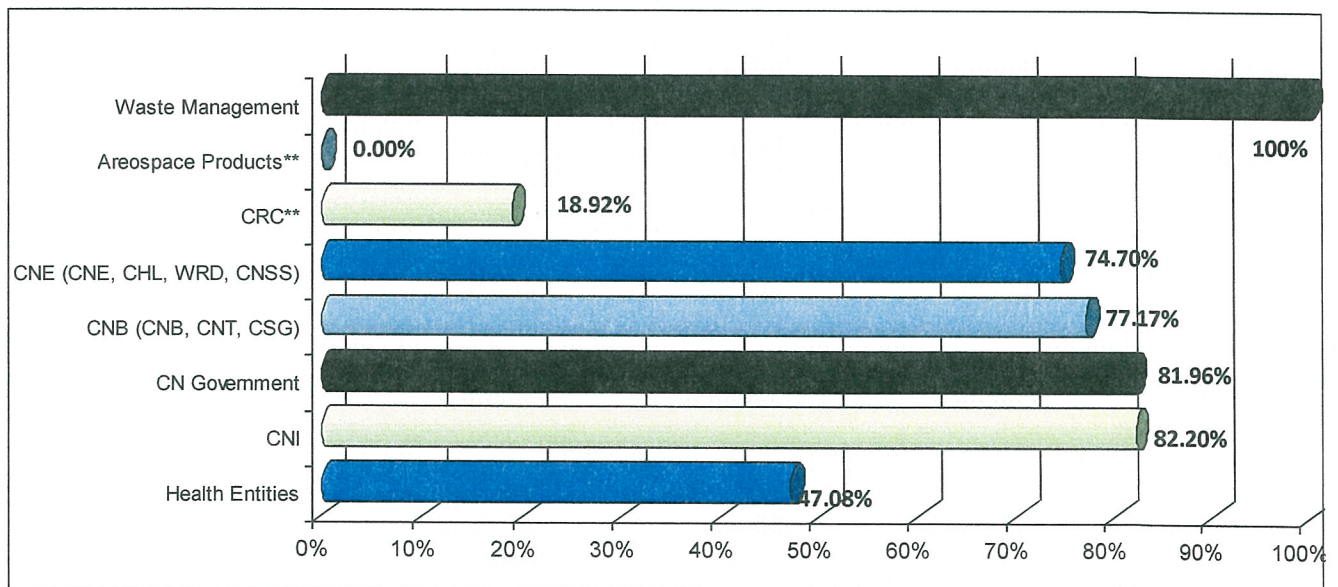


## 71.54% of CIOB Eligible Procurement Opportunities were awarded to CIOBs



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

## 76.61% of Employees are registered Cherokee Nation Citizens



\*\*Companies majority, not wholly, owned

# Commerce Group

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

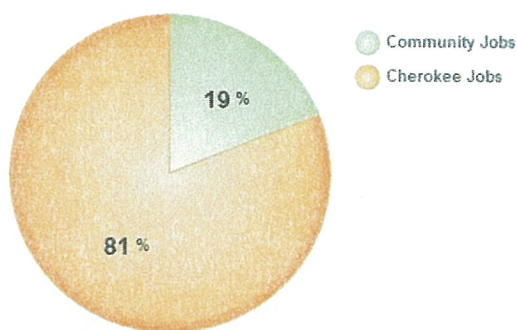
Anna Knight, Executive Director  
918-453-5532  
anna-knight@cherokee.org

## Economic Impact

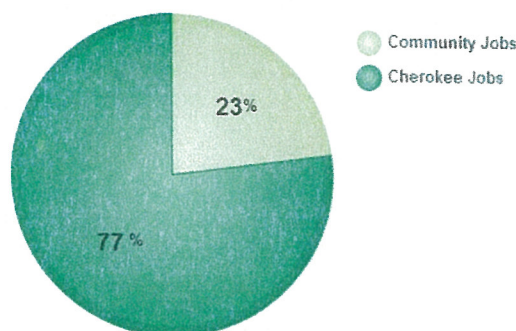
### Jobs Created or Retained in Local Communities

*Private sector jobs created or retained through small business lending*

**Community Jobs Created or Retained**  
5 Years to March 2014 - 593 Total Jobs



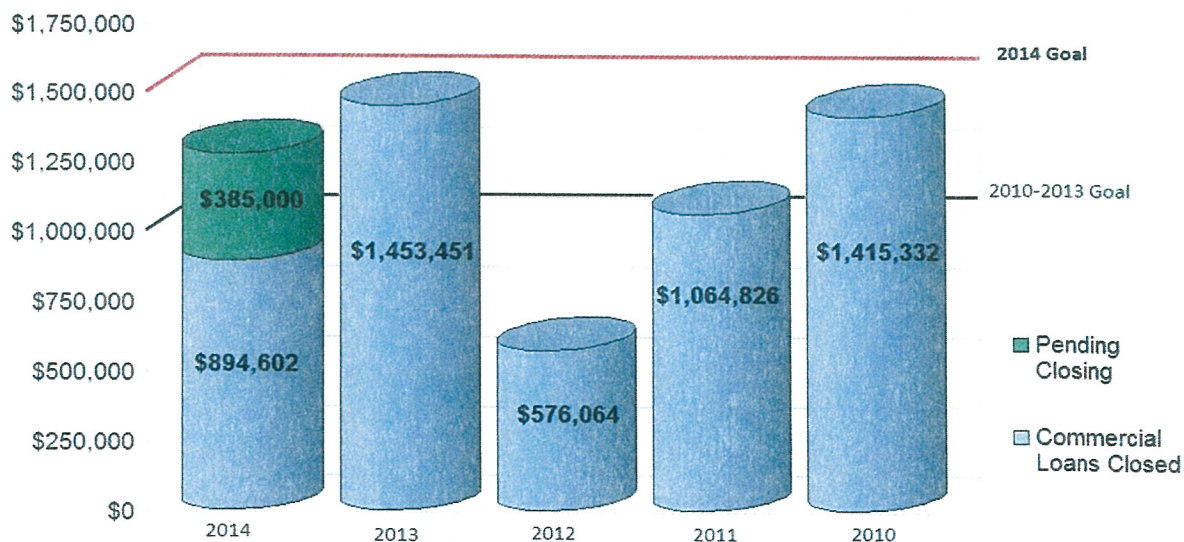
**Community Jobs Created or Retained**  
Current Year to Date 2014 - 60 Total Jobs



### Economic Investment in Local Communities

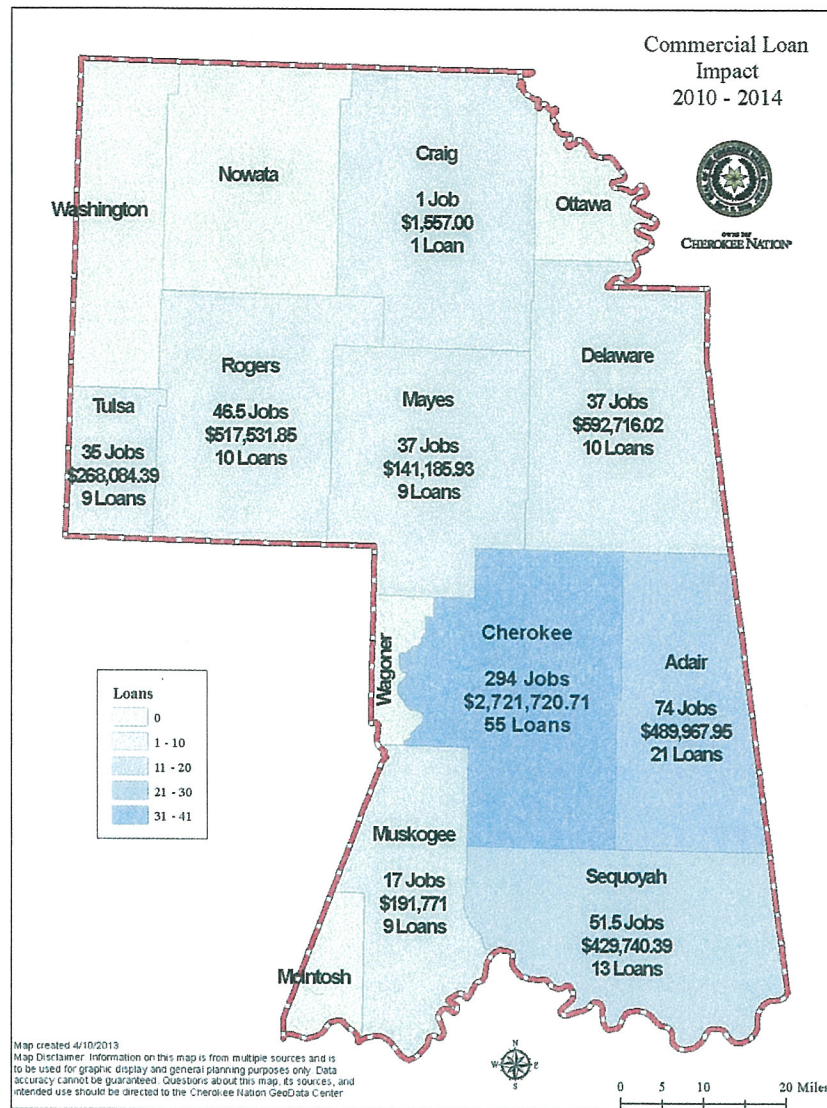
*Business loans made for startup or expanding businesses*

#### Dollars Invested in Local Economy





## Commercial Lending Impact, by County, 2010 through March 2014



## Commercial Collateral loans closed March 2014

Community	Loan Purpose	Project Costs	Loan Amount	Collateral Discounted Value	Owner Equity	Jobs
Tahlequah	Additional Working Capital	\$20,466.01	\$20,466.01	1 <sup>st</sup> Mortgage Real Estate Raw Land=\$28,000	0%	4

## Available Lending Capital

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

▪ IRP:	\$339,740.96	▪ CDFI:	\$750,039.41
▪ Commercial:	\$142,913.48	▪ Consumer Lending:	\$276,343.31

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
April 17	ICTC – Muskogee	9:00 am	Career Fair ICTC
April 17	Broken Arrow	TBD	Develop a Successful Volunteer Program NORA
April 24	O-Si-Yo Training Room	6:00 pm	QuickBooks, Payroll
May 6	Youth Entrepreneur Day	10 am – 2 pm	SHS
May 8	Broken Arrow	TBD	How to Become a 501(c)3 NORA
May 13	Youth Entrepreneur Day	10 am – 2 pm	Rogers State University

### NOTEWORTHY

**Kawi Café opened to the public April 1!** The Grand Opening/Ribbon cutting will be scheduled in early May. The 8 days of operation generated \$2,406.84 in revenue and had 347 visitors.

One retail business, a bookstore, will be signing a lease to move into one of the **Cort Mall incubator spaces**. The entrepreneur will also receive business coaching and online marketing assistance to grow his business.

Year to date, over **entrepreneurial development and business workshops** have been attended by over **2,800 people**; 100 percent of whom found the training useful to building the capacity of their businesses.

*"I have learned a lot. I made connections that will be required when I start my own business. This training has given me a real head start,"*  
**Kawi Café participant Jeffrey Timms,**  
Tahlequah, OK.

*"Receiving a loan from the SBAC has helped immensely. They helped my business to keep moving as it should without business interruption,"* said **John Anderson of John Anderson Harvesting,**  
Park Hill, OK.

*"I liked all of the class from what is in the book to all the discussions of everyone's experiences,"* said **Lee Bray** of Fort Gibson, who just recently participated in a business planning class. *"I enjoyed the class and have a better idea of what I need to do to own a business."*

### 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
April 12	TBD	Twined Bag Class
April 12	TBD	Turtle Sculpting
April 11 -12	TBD	Bow 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
April 12	Chewey Community Building	Community Traditional Games
May 17	Oolagah, Will Rogers Birth Place Free feed and prize money available	Community Traditional Games
June 13 -14	Tahlequah, Cherokee Capitol Square	Arts on the Avenue
June 21	Tahlequah, West of CN Complex	Community Traditional Games
July 19	Sallisaw City Park	Community Traditional Games
August 9	Little Kansas City Park	Community Traditional Games
August 31	Cherokee National Holiday	Community Traditional Games Playoffs

### NOTEWORTHY

**“Arts on the Avenue”** will be 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.

**Cherokee National Holiday** Office is conducting Community Traditional Games and is in full fundraising mode for the Holiday.

The Cherokee Arts Center provides teaching space and specialized equipment for artists to increase their revenues. Year to date, **311 people have attended artist taught classes** and the equipment has been used 139 times.

The **Spider Gallery currently represents 67 artists** and took the work of 27 artists to NMAI in Washington DC. Additionally, the Gallery has participated in 9 events giving Cherokee artists exposure to over 1,000.

**Artists have earned \$28,123** through Cherokee Arts Center and Spider Gallery activities. Tourism related small business and artist loans total \$365,447, year to date.

*“In November 2013, I rented a studio space at the Cherokee Arts Center in order to get back in to making potter, since than my sales have increased 100% due to the amount of activity generated by the various events the CAC hosts and exposure to other artists and art buyers. In addition to this, I gained an apprenticeship with Jane Osti” says **Jeremy Stroup, Cherokee Arts Center Studio Artist**. “Without the CAC and the use of their equipment, I would not be able to make a finished product therefore I would not have inventory to sell, I appreciate all the CAC has done for me as an emerging artist. In the future, I would like to take the knowledge and connections provided to open my own studio.”*