



CHEROKEE NATION™
Businesses

Executive and Finance Report
Consolidated Financial Information
March 2017

Cherokee Nation Businesses

Executive and Finance Report

March 2017

Budget Highlights

- March 2017 CNB consolidated net income of \$17.2 million was \$3.5 million favorable to budget and \$1.6 million higher than prior year. Consolidated revenue of \$92.7 million was \$1.2 million unfavorable to budget but consistent with the previous year.
- CNE EBITDA of \$23.8 million was favorable to budget by \$2.5 million. The favorable variance was mainly due to higher than anticipated eGames revenue at most properties. Total revenue for March 2017 of \$62.7 million was \$2.9 million favorable to budget and increased \$5.1 million from the prior year.
- The Consulting Sector had a favorable EBITDA variance of \$650,000 due to higher than expected activity and profit margins on three projects.
- The Technology Sector had a favorable EBITDA variance of \$574,000 due higher profitability on three projects.
- CNB Parent had an unfavorable EBITDA variance of \$599,000 due to higher than anticipated operating expenses.
- EBITDA at the other entities was \$143,000 above budget.

Capital Expenditures

March capital expenditures were \$34.1 million for all entities.

- CNE: \$30.0 million
 - Expansion: \$24.3 million – Grove Casino and Road Improvements, Cherokee Springs Business Park, Tahlequah OP1 Rebuild, WRD Renovation, Catoosa Hotel Lobby, Front Desk, Spa, Pool Renovation, Tahlequah Casino
 - Strategic: \$2.7 million – WRD Waste Water System, Flint Creek Renovation, Opera Property Management System, Egame Purchases, Poker Equipment and Enterprise Content Management System.
 - Maintenance - \$3.0 million – Table Games Shufflers, Chiller, Gaming Floor Carpet, Art Procurement, Tractor, Poker Chips, Mowers, McGill's FF&E, EMV NRT Upgrade, AV System and Upgrade.
- CPM: \$1.7 million – Housing, Roof Replacement, LED Lighting and Health Clinics
- CNB: \$2.2 million – Smithsonian Institution – 5 Year Capital Grant, Deltek ERP System, Wireless Upgrade, Servers, LogRhythm System Upgrade, Varonis Licenses, CN Capital Building, Signage at Health Clinics, Cherokee National Treasure Book

Financing

- CNB had no outstanding borrowings as of March 31, 2017.

Cherokee Nation Entertainment

Executive and Finance Report

March 2017

Budget Highlights

CNE

<i>thousands (000's)</i>	<u>Period</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
• Revenue	Month -	\$62,681	\$59,732	\$2,949	5%
• Operating Expenses	Month -	\$38,872	\$38,409	(\$463)	-1%
• EBITDA	Month -	\$23,809	\$21,323	\$2,486	12%

Operating Highlights

- CNE EBITDA of \$23.8 million in March was \$2.5 million favorable to budget.
- Total revenue of \$62.7 million was \$2.9 million favorable to a budget of \$59.7 million.
- Total operating expense of \$38.9 million was \$463,000 unfavorable to budget. The unfavorable variance was due to higher than anticipated gaming related expenses associated with higher gaming revenue as well as higher outside services and marketing related costs.
- The new 39,000 square foot casino in Grove, Oklahoma opened December 19th. The property features 400 electronic games, restaurant, full-service bar, live music venue, dance floor and complimentary non-alcoholic drinks.
- Businesses that opened at the Cherokee Springs Plaza in August include 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 opened December 30, 2016. The theater, Paradise Cove, opened January 6th. Ruth's Chris Steak House opened January 23rd. The pool bar and event center are expected to open in early 2017.

Capital Expenditure Highlights – Year to Date

- Expansion related costs for Grove Casino and Road Improvements, Cherokee Springs Business Park, OP1 Rebuild, WRD Renovations and Catoosa Hotel Lobby, Front Desk, Spa and Pool Renovations – \$24.1 million
- WRD Waste Water System - \$1.2 million
- E-Game Purchases - \$611,000
- Flint Creek Renovation - \$224,000
- Poker Equipment (World Series of Poker Circuit Event) - \$242,000

Diversified Businesses

Executive and Finance Report

March 2017

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 -	(\$586)	(\$434)	(\$152)	-35%
• Logistics & Distribution	Month -	(\$33)	\$74	(\$106)	144%
• Technology	Month -	\$1,102	\$528	\$574	109%
• Consulting	Month -	\$1,562	\$912	\$650	71%
• Construction	Month -	\$350	\$229	\$122	53%
• Health Sciences	Month -	\$517	\$240	\$277	116%
• Aerospace Products S.E.*	Month -	(\$53)	\$346	(\$399)	-115%
• CCRC*	Month -	\$114	\$23	\$91	396%

**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 \$586,000 was \$152,000 unfavorable to budget. The unfavorable variance to budget was primarily associated with lower overhead absorption. The gross profit margin of 14.8% was 4.1 percentage points higher than budget but 2.2 percentage points lower than prior year. The favorable margin compared to budget was associated with a change in product mix.
- **Logistics & Distribution** Sector EBITDA loss of \$33,000 was \$106,000 unfavorable to budget. The EBITDA variance when compared to budget was due to lower than anticipated revenue. Gross margins were higher than budget due to change in product mix.
- **Technology** Sector EBITDA was \$1.1 million compared to a budget of \$528,000, resulting in a favorable variance of \$574,000. The favorable EBITDA variance was primarily due to higher profitability on two CNT contracts and a CSG project.
- **Consulting** Sector EBITDA was \$1.6 million compared to a budget of \$912,000, resulting in a favorable variance of \$650,000. The 14.9% EBITDA margin exceeded budgeted and prior year margins of 9.2% and 10.0%, respectively. The favorable margin variances were due to higher than expected margins on three projects at CNMC, CN3S and CNTS.
- **Construction** Sector EBITDA of \$350,000 was \$122,000 favorable to a budget of \$229,000. The favorable EBITDA variance was primarily due to higher than expected profit margins from projects at CNCS and CNES.
- **Health Sciences** Sector EBITDA of \$517,000 was \$277,000 favorable compared to a budget of \$240,000. The favorable variance was due to two CNA projects.

Diversified Businesses (con't)

Executive and Finance Report

March 2017

- **APSE** net loss was \$53,000 resulting in an unfavorable variance to budget of \$399,000. Revenue was \$2.2 million unfavorable to budget.
- **CCRC** net income of \$114,000 was \$91,000 favorable to budget. EBITDA and gross profit margin were higher than budget primarily due to higher than anticipated profit on two projects.

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Group: Financial Resources

Month/Year of Report: April 2017

Treasurer: Lacey Horn

Phone: 207-3902

E-mail: lacey-horn@cherokee.org

- I. Budget Highlights – through March
 - a.) Financial Resources – 49% spent
 - b.) Treasurer – 28% spent
 - c.) IIM – 48% spent
 - d.) Acquisition Management – 46% spent
 - e.) Records Management – 27% spent
 - f.) Support Services – 49% spent
 - g.) Grants Management – 42% spent
 - h.) Grant Development – 48%
 - i.) Fleet Management – 32%
 - j.) Employee Performance Incentive – 34% spent
 - k.) Grant Development for CNB – 14% spent
- II. Program Highlights
 - a.) Balance Scorecard Measures
 - 1. Complete FY16 Audit – 100% Complete
 - 2. Obtain Unmodified Audit Opinion – 100% complete
 - 3. No Material Weaknesses on Single Audit – 0% complete
 - 4. Obtain GFOA Award for FY15 CAFR – 100% complete
 - 5. Reports completed & submitted for April 2017 – estimated 90% completion by April 24, 2017
 - b.) Accomplishments
 - 1. Staff attended multiple webinars, trainings and conferences for grants management
 - 2. Staff attending the Annual SG Conference the week of April 24th
 - 3. Staff attending the Annual NAFOA Conference the week of April 24th
 - c.) Upcoming Events
 - 1. Grant Services Internal Peer Training – May 11th and 12th

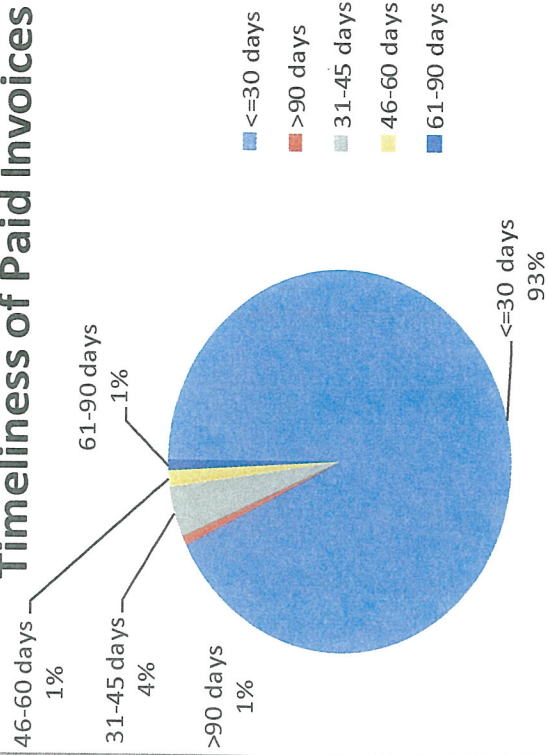
COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

	A	B	C
1	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
2	Award to TERO Vendor	\$ 21,356,339.66	98.82%
3	Award to non-TERO Vendor	\$ 254,640.99	1.18%
4	Sub-total bids with a TERO vendor	\$ 21,610,980.65	100.0%
5	Bid - no bids submitted by TERO Vendors	\$ 2,950,635.70	
6			
7	October 1, 2016 through March 31, 2017		

COUNCIL OF THE CHEROKEE NATION
EXECUTIVE & FINANCE COMMITTEE REPORT

Row Labels	APP-INVOICE-2	APP-TRAN-PMT-AMT-7
<=30 days	51,594	66,233,053.92
>90 days	757	1,511,802.47
31-45 days	2,343	12,526,117.63
46-60 days	583	1,245,488.92
61-90 days	567	1,383,670.20
Grand Total	55,844	82,900,133.14

Timeliness of Paid Invoices



**Executive & Finance Committee
Career Services
April Monthly Report
Diane Kelley, Executive Director**

As service providers, we sometimes wonder if what we do makes a difference. It's great when someone gets a job or completes a training program, but what happens then? Well, we've received a call from a former participant that reinforces all that we do. **Nancy Bryan** was placed at Keys School on **Work Experience** in 1985 then transferred to **On-the-Job Training**, completing the program in 1987. She has worked for Keys Public Schools for 32 years and is retiring this year. She wanted to thank us for helping her. Her retirement party is May 15th at 8am at Keys High School. Congratulations Nancy!

The **Sector Partnership National Dislocated Worker Grant** staff attended and participated in the New Way New Day Committee for Northeast Workforce Board, Muskogee Dream It. Do It., Mid America Delivers, and Men in the Making.

Staff attended and participated in Rapid Response with the Oklahoma Employment Security Commission for Tulsa Public Schools and for Free Ranger, as well as in the Tahlequah Workforce Partnership Meeting to develop a local Resource Guide.

Additionally, Brenda Fitzgerald, Director Vocational Rehabilitation and Daryl Legg, Director Tribal Economic Development/Reentry were asked to present information from the **Job-Driven National Emergency Grant** program at the Dislocated Worker Showcase for the Workforce Innovation and Opportunity Act National Convening Conference in Dallas in April.

Staff attended and participated in the Oklahoma Works Partners Conference.



Front row, left to right: Diane Kelley, Executive Director, Cherokee Nation Career Services. Mary Ross, VR Counselor. Christy Stites, Career Specialist. Debra Pritchett, Career Specialist. Brenda

Fitzgerald, Director of the Sector Partnership Dislocated Worker Grant.

Back row, left to right: Isaac Barnoskie, Career Specialist. George Roach, Director of Vocational Programs. Nick Lalpui, Regional Administrator, US Department of Labor. Matt Lamont, Jobs/Business Development Coordinator. Larry Daugherty, Jobs/Business Development Coordinator.

The **Day Training Program** had 23 participants attain unsubsidized employment; eight with Cherokee Nation, 12 with CNB/CNI, and three with other employers.

The **Employment Development Program (TERO)** hosted a Safety Fair Friday, April 7th, 2017 from 12:00pm - 3:00pm to show appreciation to the people who help keep us safe. Local volunteer fire departments, law enforcement, EMS, Emergency Management, Risk Management, and National Forestry Services were in attendance.

The **Employment Development Fire Program** has been very busy. Fire Fighters suppressed 18 fires in Cherokee Nation jurisdiction. They sent ten persons on a prescribed fire, and sent ten Heritage Resource Technicians out. Five firefighters assisted Osage Agency with multiple fires.

The **Tribal Economic Development Program** staff met with two different businesses looking to locate in Tulsa and in Owasso. Economic Development week is in May and the proclamation signing is May 10th at 10:30.

Job Fairs/Other Events:

March 2nd Hard Rock Hotel & Casino Job Fair over 75 people attend

March 7th the Schwan Food Company Hiring Event

March 22nd Proclamation Signing for Safety Month and Administrative Professionals Day

March 29th Hard Rock Hotel & Casino – Food & Beverage Job Fair

April 12th – 14th **Oklahoma Works Conference:** Educational Training Event of the Year for Partners working in Workforce Development (See attached for more info). We had ten staff attend this.

April 26th Administrative Professionals Day 2017 - TLJC

April 28th Staff will be attending ICTC Career Fair in Muskogee ICTC

May 8th – 13th – National Economic Development Week. Created by the International Economic Development Council, the goal of Economic Development Week (EDW) is to increase awareness for local programs that create jobs, advance career development opportunities and increase the quality of life. The 2017 event dates are May 8-13. The following is a guide to help you plan and share information about events your community will host.

May 10th - Proclamation - National Economic Development Week

May 10th – WSS Job Fair

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 \$10,430,603 in 236 Small Businesses
Since 2010**

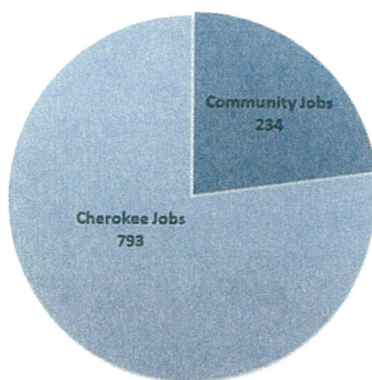
Community Jobs Impacted

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

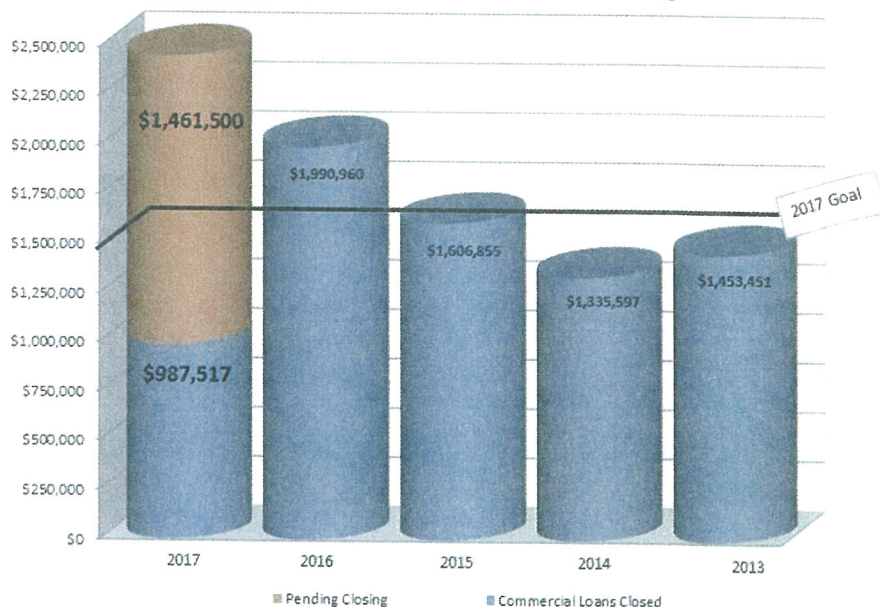
Jobs Created FY 2017



Jobs Created FY10-17



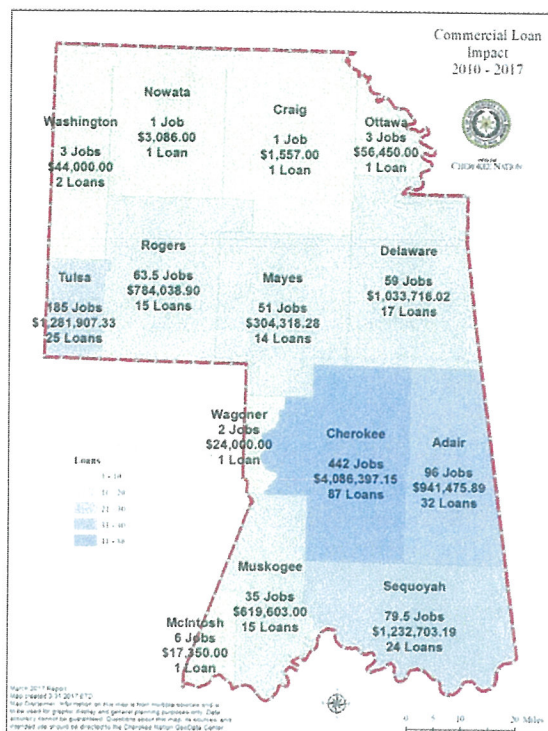
Dollars Invested in the Local Economy Through Small Business Lending



Lending Assets

Available Commercial Capital	\$183,482
Available Consumer Capital	\$1,074,784
Approved Grants Pending Distribution	\$34,500
Approved Grants Pending Receipt	\$800,000
Total Available Capital	\$2,092,765
Outstanding Commercial Loans	\$7,176,156
Outstanding Consumer Loans	\$1,554,098
Total Outstanding Loans	\$8,730,253

County Commercial Lending Impact 2010 through 2017



Small Business Loans Closed March 2017

Community	Loan Purpose	Project Costs	Owner Equity	Jobs
Park Hill	Expansion	\$103,759	53%	3
Stilwell	Expansion	\$6,525	0%	1
Tahlequah	Expansion	\$76,795	55%	2
Claremore	Expansion	\$163,000	45%	2
Hulbert	New Start-up	\$25,000	4%	1
Tahlequah	Expansion	\$329,324	25%	7
Sallisaw	New Start-Up	\$49,000	0%	1

Grant Applications to help build Commercial Lending Capacity

Submitted USDA Rural Business Development Grant applications for small business funding and health innovation entrepreneur incubator feasibility study.

Submitting in April Community Development Financial Institution financial assistance application for \$1 million.

Commercial Lending Pipeline

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

Community	County	Business Type	Startup or Expansion
Welling	Cherokee	Agriculture	Expansion
Jay	Delaware	Construction	Expansion
Claremore	Rogers	Transportation	Expansion
Pryor	Mayes	Retail Restaurant Service	New Start-up
Westville	Adair	Retail Service	New Start-up
Pryor	Mayes	Retail Service	Expansion
Rose	Delaware	Agriculture	Expansion
Chelsea	Rogers	Retail Restaurant Service	New Start-up
Bartlesville	Washington	Retail Service	New Start-up
Kansas	Delaware	Retail Service	New Start-up
Owasso	Tulsa	Retail Restaurant Service	Expansion
Muskogee	Muskogee	Retail Restaurant Service	Expansion

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

Entrepreneur Community Field Days		
Community	Address	Dates
Pryor	Cherokee Nation Career Services 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 HACN 100 E. Choctaw	3rd Tuesday Each Month
Tulsa	Cherokee Nation Career Services 10837 E Marshall St., Ste. 101	2nd Tuesday Each Month
Claremore	Cherokee Nation HACN 23205 S Hwy 66	4th Thursday Each Month
Jay	Cherokee Nation HACN 109 13 th St.	4th Monday 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 2,838 people**, 100 percent of whom found the training useful to building the capacity of their businesses. Currently the majority of entrepreneur trainings conducted by SBAC staff is one-on-one. We have twenty entrepreneurs working on business plans and are conducting site visits with all current loan clients and evaluating individual training needs for business growth and best chance of success.

Business/Entrepreneur Workshops			
Date	Location	Time	Workshop
April 4	Muskogee, ICTC	1:00 pm	Office & Operations, Supervisory Academy
April 5	Muskogee, ICTC	10:00 am	Doing Business with the Government
April 5	Pryor, Mid America Expo	8:00 am	NORA Education Summit
April 10	Muskogee, ICTC	11:30 am	Bonding 101-Seminar
April 25	Tahlequah, SHS	10:00 am	Youth Entrepreneurship/Business Plan Competition
April 27	Claremore, ICTC	10:00 am	Youth Entrepreneurship/Business Plan Competition
May 22 – 23	Muskogee, ICTA	8:00 am	Winning Proposal Development (Contracting)
October 24	Tahlequah NSU	8:30 am	NORA Regional Economic Summit
November 2	Hard Rock	10:00 am	Cherokee Nation Small Business Expo

Artists and Community Tourism – Economic Development

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

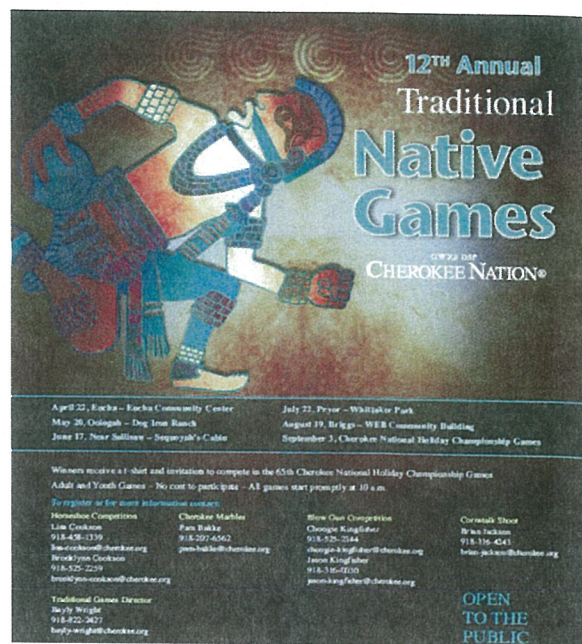
The Cherokee Arts Center provides teaching space and specialized equipment for artists to increase their revenues. Year to date, **672 people have attended 101 artist taught classes** and the equipment has been used 589 times by 391 artists. One artist space is used exclusively by the National Treasures to both work and to teach class. Year to date artists have taken advantage of the **Cherokee Arts Center 2,723** times.

The Spider Gallery currently **represents 120 Cherokee Nation artists and year to date has received 1,635 visitors**. Year to date sales total \$20,562.68 in the Gallery and **overall artists have earned \$46,095.64** through Cherokee Arts Center and Spider Gallery activities. **Online Gallery sales are in testing mode and should be fully operation in May or June.**

Cherokee Arts Center		
Registration is necessary and all classes are fee based, paid directly to artists		
Date	Time	Class
Every Thursday	6:30 pm	Silver Smithing with Steve
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 with Matt
Every Saturday	12:00-2:00 pm	Drawing with Jamil
Every Thursday	6:30-8:00 pm	Drawing with Jamil

Cherokee Traditional Games are underway and teams are now playing Chunkey. The public is invited to attend and cheer on their communities!! For more information contact Bayly Wright at 918-453-5000 extension 5992 or bayly-wright@cherokee.org.

Date	Community
April 22	Eucha Community Center
May 20	Oologah Dog Iron Ranch
June 17	Sequoyah's Cabin, Sallisaw
July 22	Whittaker Park, Pryor
August 19	Tri-WEB Community
September 3	Cherokee National Holiday



The Cherokee National Holiday planning is in full swing. Thank you to all the coordinators and volunteers that make this event a huge success!!

Bayly Wright is now the Holiday Director and she can be reached at 918-453-5000, extension 5992 or at bayly-wright@cherokee.org.

Did you know that it takes 500 volunteers a total of 6,000 hours to make the Holiday happen? This is the largest event in rural northeast Oklahoma and estimates of Holiday visitors exceed 100,000.

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

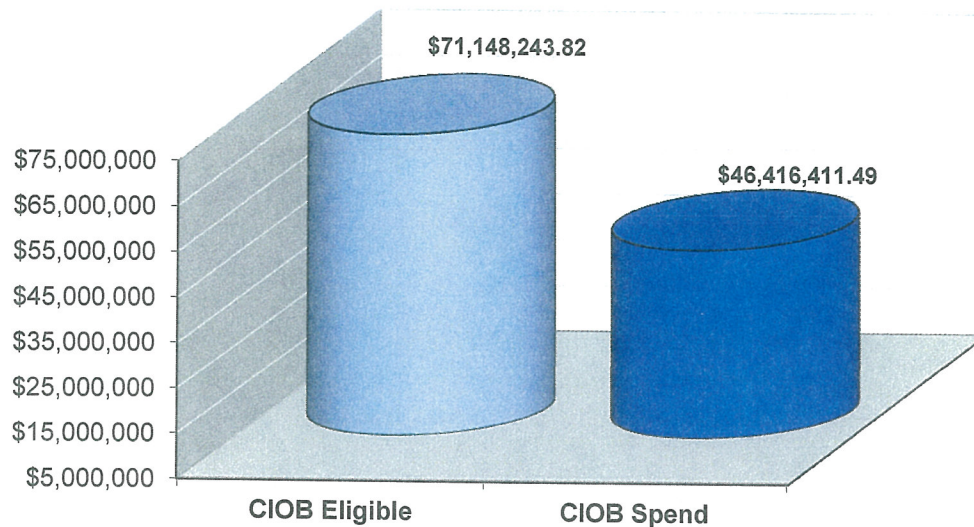
Month/Year of Report: May 2017 (Month Ending March – FY 2017)

Program Highlights

a. Balanced Scorecard Measures

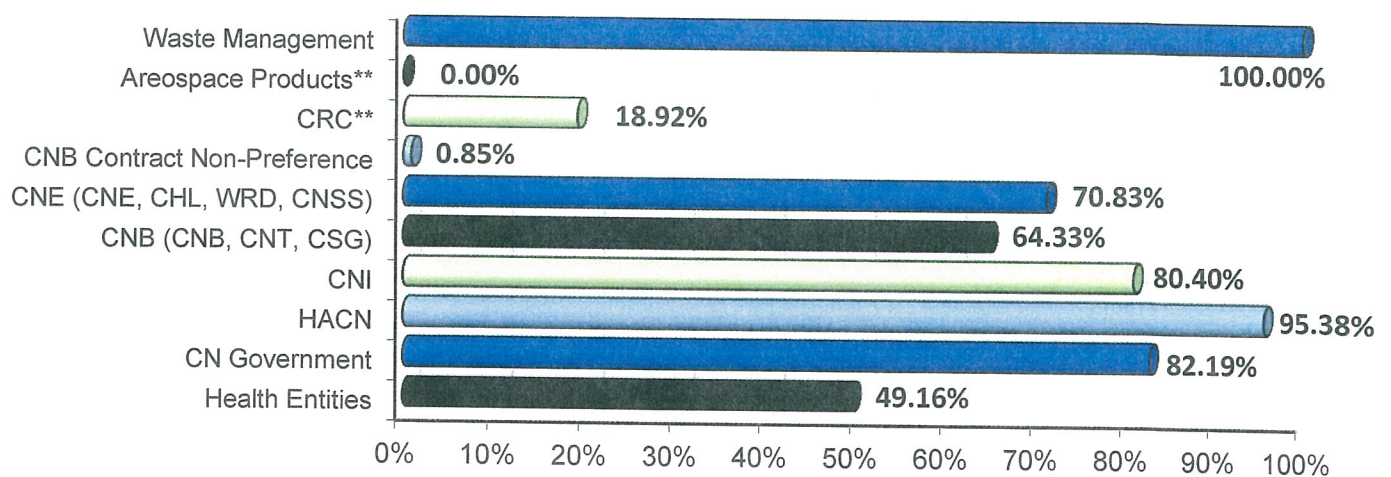
Objective	Metric	2016 Goal	Year to Date Achievement Notes/Comments
Effective Business Workshop Training	# Certified Indian-Owned Business Attendees and % indicating usefulness	300/100%	0 /100% 1,983 attending events including Engage Expo
Increase Certified Indian-Owned Business Procurement Awards	% Certified Indian-Owned Business Procurement Awards	80%	65.24% Business Entities eligible procurement \$'s awarded to Certified Indian Owned vendors <ul style="list-style-type: none"> • CNE – 50.52% • CN Government - 98.82 % • Health Entities – 100% • CNI – 21.35% • Waste Management - 0%
Increase Cherokee Citizens employed	% Cherokee Citizens (verified)	Entity CNE – CNB – HACN – CN – 82.9% Health – CNI – CRC – Aerospace -	Business Entities - 62.94% <ul style="list-style-type: none"> • CNE (CNE, CHL, WRD, CNSS) 70.83% • CNB (CNB, CNT, CSG) 64.33% (does not include service contract employees) • CNI 80.40% (does not include service contract employees) • Service Contract Employees (NP) 0.85% (CNB entities) • HACN 95.38% • CN Government 82.19% (does not include IPA/MOA) • Health Entities 49.16% • 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	64
Effective One on One Training for Certified Indian Owned-Businesses	# of businesses receiving assistance/% finding useful	200/95%	4 /100%
Certified Indian-Owned Business Receiving Financial Assistance	% Certified Indian-Owned Business Loans in Portfolio	85%	1.30% - based on \$'s loaned 3.85% - 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% - 790 sites monitored
Effective Monitor of Bid Openings	# and % Bid Openings Attended	100%	100% - 48 out of 48
Effective Resolution of Complaints – TERO and EEOC	% Complaints Resolved	100%	TERO: 1 complaints filed; 0 resolved, 0 pending EEOC: 0 complaints filed; 3 resolved, 3 pending

65.24% of CIOB Eligible Procurement Opportunities were awarded to CIOBs



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

62.94% of Employees are registered Cherokee Nation Citizens



**Companies majority, not wholly, owned