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CHEROKEE NATION®

Tahlequah, Oklahoma



Comprehensive Annual
Financial Report

Fiscal Year Ended September 30, 2020



IN THIS TOGETHER

DSW KᏍᏳᏅᏍᏗ • We Watch Over the Money



2020 Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2020

Prepared by Cherokee Nation Financial Resources Department • Tahlequah, Oklahoma

CHEROKEE NATION
 Comprehensive Annual Financial Report
 For the Year Ended September 30, 2020

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IN THIS TOGETHER



Introductory Section



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CHEROKEE NATION®

P.O. Box 948 • Tahlequah, OK 74465-0948
918-453-5000 • www.cherokee.org

Office of the Chief

Chuck Hoskin Jr.
Principal Chief

Bryan Warner
Deputy Principal Chief

March 31, 2021

Principal Chief, Deputy Principal Chief, Tribal Council and Citizens of the Cherokee Nation:

We, the Cherokee Nation Financial Resources Department (Financial Resources), are pleased to submit the Comprehensive Annual Financial Report of the Cherokee Nation (the Nation) for the fiscal year ended September 30, 2020. Accountability for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Financial Resources. We believe the data presented is accurate in all material aspects, and fairly presents the financial position and activities for the year ended September 30, 2020.

A comprehensive analysis of the Nation's financial position and activities for the year is contained in this report. It has been prepared by Financial Resources and conforms to the "pyramid" approach to governmental financial reporting as prescribed in National Council on Governmental Accounting (NCGA) Statement 1, "Governmental Accounting and Financial Reporting Principles."

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A should be read in conjunction with this transmittal letter.

The Nation's basic financial statements were audited by BKD, LLP CPAs & Advisors whose role serves to provide reasonable assurance that the financial statements are fairly stated in all material respects. See "Independent Auditor's Report" included with the comprehensive report.

Organization of the Government

The Nation is the largest federally recognized tribal government in the United States. The Nation has sovereign reservation status, granted by treaty and law, located within the 14 counties of northeastern Oklahoma with the boundary running northerly and southeasterly from Tulsa, Oklahoma to the Kansas and Arkansas state borders. The Cherokee Nation reservation—which consists of 6,950 square miles and includes all of six counties and portions of eight other counties—was established with the historical boundaries of the Cherokee Nation after the Treaty of 1866.

The Cherokee Constitution was amended by the Constitutional Convention in 1999 and ratified by a vote of the Cherokee citizens in 2003. This Constitution defines the distribution and separation of powers among the three branches of government. The three branches and their respective powers include the following:

Executive Branch

The executive power of the Cherokee Nation is vested in the Principal Chief, currently Chuck Hoskin Jr. The Deputy Principal Chief, currently Bryan Warner, aids and advises the Principal Chief in the administration of the government. The Principal Chief is responsible for the execution of the laws of the Cherokee Nation, establishment of tribal policy and delegation of authority, as is necessary for the administrative functions of the Cherokee Nation. The Principal Chief maintains an office at the W. W. Keeler Tribal Complex in Tahlequah (Cherokee County), Oklahoma. The Deputy Principal Chief is empowered to act as directed by the Principal Chief.

The Executive Branch of the Nation is organized with the Principal Chief and the Deputy Principal Chief serving as the final authorities of the administrative operations of the Nation. Within the Executive Branch is a four member Cabinet: the Treasurer, the Secretary of State, the Secretary of Natural Resources and the Secretary of Veteran's Affairs. The Treasurer, currently Tralynna Sherrill Scott, provides oversight and direction for the Nation on all financial matters, including annual budgets, investment of funds, and financial reporting in conformance with Generally Accepted Accounting Principles (GAAP). The Treasurer is also responsible for the selection of the independent Certified Public Accounting firm, and ensuring that a comprehensive annual financial statement audit is performed and presented to Tribal Council within six (6) months of the fiscal year end. The Secretary of State, currently Tina Glory Jordan, is responsible for a variety of governmental functions including but not limited to the certification of petitions, referring amendments of the constitution to the people, and receipt of petitions, orders for initiatives, and oaths of office. The Secretary of Natural Resources, currently Chad Harsha, advises the Chief on natural resource issues and works to advance the Nation's top environmental strategic priorities. The Secretary of Veteran's Affairs, currently S. Joe Crittenden, acts as primary advisor to the Chief on all veteran-related issues affecting the Nation and its tribal veterans.

The Constitution also created an office of Attorney General and an office of Marshal. The Attorney General and Marshal are appointed by the Principal Chief and confirmed by the Tribal Council for a term of five (5) years. The terms of the Attorney General and Marshal shall not be concurrent. The Attorney General, currently Sara Hill, represents the Cherokee Nation in all criminal cases in the courts of the Nation, and in all civil actions wherein the Cherokee Nation is named as a party and shall have such other duties as prescribed by law. The Marshal, currently Shannon Buhl, provides law enforcement within the jurisdiction of the Cherokee Nation. The Marshal's duties and authority are prescribed by law.

The staff of the Principal Chief includes the Executive Directors of the respective departments who provide oversight and general direction. The major service departments of the Nation are the following: Career Services, Commerce Services, Community Services, Education Services, Health Services and Human Services. Resource departments provide support for the Nation's service departments, as follows: Financial Resources, Human Resources, Information Technology and Management Resources.

Legislative Branch

The Legislature consists of seventeen (17) Tribal Council members, who are citizens of the Cherokee Nation. The Tribal Council is elected to four-year terms from the fifteen districts of the Cherokee Nation and two at-large members who represent citizens living outside the reservation. The Council elects a Speaker, currently Joe Byrd, and a Deputy Speaker, currently Victoria Vazquez. The role of the Tribal Council is to adopt legislation in the best interest of the Cherokee people.

Judicial Branch

The Judicial Branch consists of the Supreme Court and the Cherokee Nation District Court. Supreme Court Justices are appointed by the Principal Chief and confirmed by the Tribal Council. The Chief Justice currently is Lee W. Paden. The primary responsibility of the Justices is to hear and resolve any disagreements arising under the provisions of the Constitution or any enactment of the Tribal Council.

The District Court system hears all cases brought before it under jurisdiction of the Cherokee Nation Code Annotated, Title 20, Courts and Procedure.

Reporting Entity

The Nation determines its financial reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity”, GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No.14”, GASB Statement No. 61, “The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34”, GASB Statement No. 80, “Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14”, and GASB Statement No. 90, “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61”, as applicable, and, based on that criterion, has included the following entities as component units within the Nation’s basic financial statements.

Cherokee Nation Businesses, LLC (CNB) and its blended component units
Housing Authority of the Cherokee Nation of Oklahoma (HACN) and its blended component unit
Cherokee Nation Comprehensive Care Agency (CNCCA)
Cherokee Nation Home Health Services, Inc. (CNHHS)
Cherokee Health Partners, LLC (CHP)
Cherokee Nation Foundation (CNF)
Cherokee National Historical Society, Inc. (CNHS)
Cherokee Nation Economic Development Trust Authority (EDTA)

The nature of the activities of these organizations and the specific basis for inclusion as a component unit of the Nation are discussed in the notes to basic financial statements.

Internal Controls

The management of the Nation is responsible for ensuring that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Management of the Nation is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Nation are protected from loss, theft or misuse. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. The Nation did not change any financial policies that had a significant impact on the fiscal year’s financial statements.

Single Audit

As a recipient of federal and state financial assistance, Financial Resources is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the Nation.

As a part of the Nation’s single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the Nation has complied with applicable laws and regulations. The results of the Nation’s single audit process for the fiscal year ended September 30, 2020 will be included in a separately issued Single Audit Report.

Budgetary Process

Title 62, §31-32 provides the legal level of budgetary control for the Cherokee Nation. The Executive and Finance Committee of the Tribal Council, upon direction of the Treasurer and with advisement from the Controller, shall formulate an annual appropriations bill. The bill shall contain the legal budgeted annual revenues and expenditures/expenses for the general fund and enterprise funds for the executive, legislative and judicial branches of government. The sources of revenue may be based upon estimates. The budgeted expenditures for these funds shall not exceed total estimated revenues and beginning fund balance and net position. Cherokee Nation limits uses of funds to the availability of the sources of revenues.

Should the need arise for management to transfer funds or propose additional appropriations, the Executive and Finance Committee of the Tribal Council, upon direction of the Treasurer and with advisement from the Controller, shall be responsible for proposing amendments to the annual appropriations law based upon material changes in real or estimated revenues and expenditures that affect the total amounts budgeted. Any amendments to the annual appropriations bill shall be presented to the Tribal Council for consideration and passage. Any funds received by the Cherokee Nation, the use of which is determined by the granting or contracting agency (special revenue funds) shall be used only for those purposes and under those conditions for which the funds are made available, and such funds are not subject to legal appropriation by the Tribal Council.

The basic financial statements contain a budget and actual comparative statement for the General Fund, a legally budgeted fund. A budgetary statement for enterprise funds, which are also legally budgeted, is included in the budgetary information section of Other Supplementary Information. Budgets for the Nation are prepared on the same basis of accounting as the financial statements.

Long-Term Financial Planning

Since fiscal year 2011, the Cherokee Nation primary government has increased its total assets by approximately \$1.9 billion or 419.3%. The Nation's long-term financial planning process involves a dedicated budgeting process that ensures discretionary resources are used to support the vision of the Nation: "Together: Community, Family, Culture." This planning process encompasses the annual financial budget process as well as long-term forecasting for use of the Nation's resources. Additionally, new ideas and efficiencies are continually being incorporated to further advance the Nation's initiatives which include greater emphasis on housing, healthcare, careers and education.

In December 2017, the Nation created the Cherokee Nation Sovereign Wealth Fund (CNSWF). The two largest funds within the CNSWF are the Education Reserve and the Emergency Reserve. Intended to provide financial security in the event of unforeseen future issues, these reserve funds will be invested for growth purposes under the direction of the Treasurer.

The Nation has continued to improve access to healthcare through the construction of new and expanded healthcare facilities funded in part by a \$179.6 million capital investment by CNB. In 2017, construction began on the latest healthcare facility project within this capital expansion campaign – the Tahlequah Outpatient Joint Venture Project. This project was primarily being financed through loan proceeds and remaining committed capital from CNB. The facility was substantially completed in 2019 and, as a result, the Nation received over \$100 million in additional staffing and operational funding from the Indian Health Service (IHS).

Through expansion of its component units, the Nation works to establish a productive, sustainable economy for the citizens of the Nation. In addition to creating greater opportunities through its component units, the Nation has been successful in partnering with outside entities to attract new industries and create jobs within the Nation's reservation.

Use of the Report

This report will be submitted to the Federal Audit Clearinghouse in compliance with the requirements of the Office of Management and Budget (OMB) 2 CFR 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”. Copies of the reports will also be submitted to elected officials of the Nation and various other agencies which require copies as a condition of funding provided to the Nation under grants and contracts. Use of this report by the departments of the Nation is encouraged.

Readers of this report should refer to Management’s Discussion and Analysis for better understanding of the financial activities of the Nation. The MD&A provides the reader with an easily readable discussion of the basic financial statements, significant differences, comparative analyses, fund financial analysis, significant budget variations, and facts, decisions or conditions which have or are expected to have a significant effect on the Nation’s financial position or activities.

Certificate of Achievement

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Cherokee Nation for its Comprehensive Annual Financial Report (Annual Report) for the fiscal year ended September 30, 2019. This was the nineteenth consecutive year that the Nation has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The members of Financial Resources believe that the current Annual Report continues to meet the Certificate of Achievement Program’s requirements. We will be submitting the Annual Report to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the 2020 Annual Report was a tremendously involved task requiring the professional skills of the entire Financial Resources Department. This was a particularly difficult task in the face of the COVID-19 pandemic, which affected us for the majority of FY20. Despite the challenges that COVID-19 brought, the Financial Resources Department remained committed to serving the Cherokee people. I would like to express my deepest gratitude to the Financial Resources Department for their dedication and continuous hard work. I would also like to thank BKD, LLP CPAs & Advisors, independent auditors for the Cherokee Nation, for their guidance and technical assistance in completing this Annual Report.

Respectfully submitted,



Tralynna Sherrill Scott
Treasurer
Cherokee Nation

**Cherokee Nation
Tribal Officials
as of March 31, 2021**

EXECUTIVE BRANCH

**Chuck Hoskin Jr.
Principal Chief**

**Bryan Warner
Deputy Principal Chief**

LEGISLATIVE BRANCH

**Joe Byrd
Speaker
District 2**

**Victoria Vazquez
Deputy Speaker
District 11**

**Rex Jordan
District 1**

**Wes Nofire
District 3**

**Mike Dobbins
District 4**

**E.O. "Junior" Smith
District 5**

**Daryl Legg
District 6**

**Canaan Duncan
District 7**

**Shawn Crittenden
District 8**

**Mike Shambaugh
District 9**

**Harley Buzzard
District 10**

**Dora Patzkowski
District 12**

**Joe Deere
District 13**

**Keith Austin
District 14**

**Janees Taylor
District 15**

**Mary Baker Shaw
At Large**

**Julia Coates
At Large**

JUDICIAL BRANCH

Supreme Court

**Lee W. Paden
Chief Justice**

**John C. Garrett
Justice**

**Mark L. Dobbins
Justice**

**Shawna Baker
Justice**

**Rex Earl Starr
Justice**

District Court

**T. Luke Barteaux
Presiding Judge**

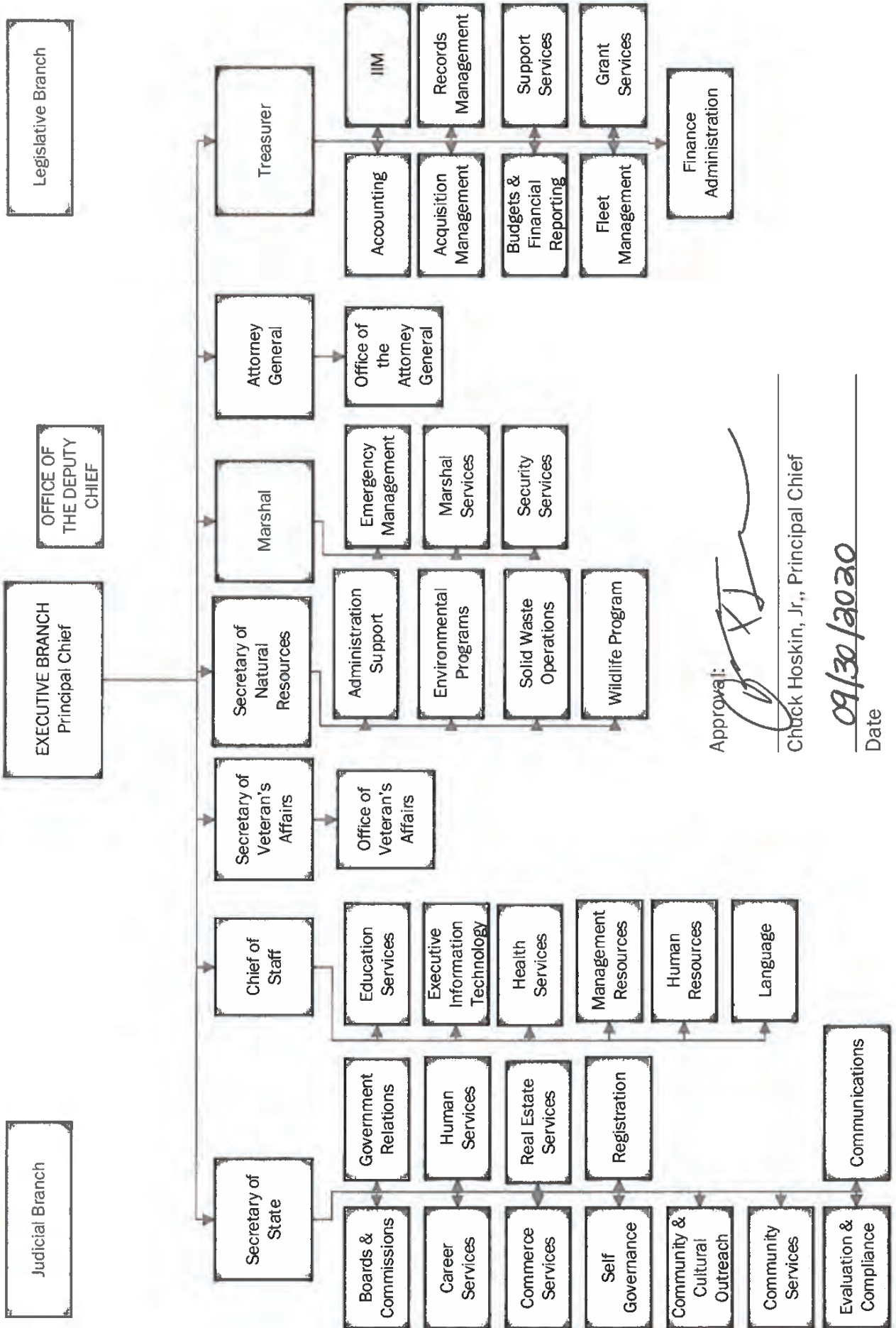
**Amy Page
Judge**

**Nathan Barnard
Judge**



CHEROKEE NATION ORGANIZATIONAL CHART

G.W.29 D.J.F
CHEROKEE NATION



Approval: 

Chuck Hoskin, Jr., Principal Chief

09/30/2020
Date



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Cherokee Nation
Oklahoma**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO



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Financial Section

Independent Auditor's Report

Principal Chief and Tribal Council
Cherokee Nation
Tahlequah, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Cherokee Nation (the Nation), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Nation's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the Cherokee Nation (HACN), the Cherokee Nation Comprehensive Care Agency (CNCCA), Cherokee Health Partners, LLC (CHP), the Cherokee Nation Foundation (CNF), or the Cherokee National Historical Society, Inc. (CNHS), which are discretely presented component units of the Nation. The financial statements of HACN, CNCCA, CHP, CNF, and CNHS, which collectively comprise approximately 11.4% of total assets and 4.5% of total operating revenues of the aggregate discretely presented component units, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for HACN, CNCCA, CHP, CNF, and CNHS, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Principal Chief and Tribal Council
Cherokee Nation

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Nation as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nation's basic financial statements. The accompanying other supplementary information, introductory section, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Principal Chief and Tribal Council
Cherokee Nation

The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Tulsa, Oklahoma
March 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Nation's management provides Management's Discussion and Analysis (MD&A) of the Comprehensive Annual Financial Report as a tool for readers of the Nation's financial statements for the fiscal year ended September 30, 2020. Readers of the Nation's financial statements are encouraged to utilize this information in conjunction with the information provided in the letter of transmittal, which precedes this section, and the accompanying basic financial statements and disclosures following this section.

Financial Highlights

The Nation's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2020 by \$1.6 billion (net position). Of this total amount, \$152.1 million is unrestricted net position that may be used to meet the government's ongoing obligations.

The Nation's overall liabilities and deferred inflows of resources at the end of fiscal year 2020 increased by approximately \$341.2 million to \$792.1 million.

The overall net position increased by \$180.9 million, which is largely attributable to the advanced funding received in the Self Governance Department of Health and Human Services (DHHS) fund.

The Nation's governmental funds reported total ending fund balance of \$446.2 million at the end of fiscal year 2020. This compares to the prior year ending fund balance of \$285.3 million showing an increase of \$160.9 million during the current year. Unassigned fund balance is \$35.7 million for fiscal year 2020.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$35.7 million or 38.6% of total General Fund expenditures including transfers out and 32.2% of total General Fund revenues including insurance recoveries and transfers in.

Overview of the Financial Statements

Basic Financial Statements

This discussion and analysis serves as an introduction to the Nation's basic financial statements. The Nation's basic financial statements are comprised of government-wide financial statements, fund financial statements, and notes to the basic financial statements. The Comprehensive Annual Financial Report also contains other information to supplement the basic financial statements.

Government-wide Financial Statements

The *Government-wide Financial Statements* provide a broad overview of the Nation's finances and operations in a manner similar to private-sector business. The statements provide information about the Nation's financial position on both a short-term and long-term basis. The statements are prepared using the accrual basis of accounting and an economic resources measurement focus. The government-wide financial statements include the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources for the entire Nation, with the difference between the assets and deferred outflows of resources less liabilities and deferred inflows of resources reported as "net position." Increases or decreases in net position over time can serve as an indicator of the improvement or decline in the Nation's financial position.

The *Statement of Activities* presents information about how the Nation's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of when the related cash flows occur. Utilizing this method, revenues and expenses are reported when earned and incurred, rather than when cash is received or expended.

The financial statements include separate sections for three different types of activities. The three types are as follows:

Governmental Activities presents information about activities supported by dividends from component units, taxes, intergovernmental revenues (state and federal grants), and private grants. The services provided by the Nation's government generally fall into this category, including tribal government, health services, education services, human services, and community services.

Business-type Activities are intended to recover all or a substantial portion of their costs through user fees and charges to external users of the goods and services. The active business-type activities of the Nation include the Tsa-La-Gi Apartments, CN Sanitary Landfill, and Economic Development Trust Authority (EDTA).

Discretely Presented Component Units are the operations for which the Nation has financial accountability, but have certain independent qualities, such as an independent Board of Directors. For the most part, these units operate similar to private-sector business. The Nation's discretely presented component units are:

Cherokee Nation Businesses, LLC (CNB) and its blended component units
Housing Authority of the Cherokee Nation of Oklahoma (HACN) and its blended component unit
Cherokee Nation Comprehensive Care Agency (CNCCA)
Cherokee Nation Home Health Services, Inc. (CNHHS)
Cherokee Health Partners, LLC (CHP)
Cherokee Nation Foundation (CNF)
Cherokee National Historical Society, Inc. (CNHS)

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been separated for specific activities or objectives. The Nation, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual activities of the Nation's government, providing more detail than the government-wide financial statements. The funds of the Nation are divided into three types, which use different accounting approaches and should be interpreted differently. The three types of funds are:

Governmental Funds are used to account for the same governmental functions as reported in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on the near-term inflows and outflows of expendable resources. These fund statements also focus on the balances of expendable resources available at the end of the fiscal year. This approach to financial reporting is known as using the current financial resources measurement focus and the modified accrual basis of accounting. This method may be useful in evaluating the government's near-term financing requirements. These statements provide a short-term view of the Nation's finances that assist in determining if there will be sufficient financial

resources to meet the current needs of the Nation. Most of the services provided by the Nation are financed and reported through the governmental funds.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on pages 27 and 29 of the financial statements.

The Nation maintains five major governmental funds, each presented in a separate column in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. The Nation's five major governmental funds are the General, PL 102-477, Department of Transportation (DOT), Self Governance DHHS and Coronavirus Relief Fund. In addition, the Nation maintains fifteen nonmajor governmental funds, shown aggregated, including two permanent funds to account for other governmental activity. The governmental funds statements can be found on pages 27 and 28 of this report.

Proprietary Funds are used to show activities which operate similar to private-sector enterprises. These funds charge fees for goods and services provided to customers and are known as proprietary funds. Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, except in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no separate reconciliation needed between the proprietary fund financial statements and the government-wide financial statements for business-type activities.

The proprietary funds financial statements can be found on pages 31 - 33 following the governmental fund financial statements. The Nation's proprietary funds include Enterprise and Internal Service Funds, which are described below.

Enterprise Funds — The Nation has no major enterprise funds and three nonmajor enterprise funds for presentation purposes. The nonmajor funds are the Nation's Tsa-La-Gi Apartments, CN Sanitary Landfill and Economic Development Trust Authority (EDTA). The nonmajor enterprise combining financial statements can be found on pages 89 - 91 of this report.

Internal Service Funds are used to account for activities related to goods and services provided by one department to other departments of the Nation and to other governmental units, on a cost reimbursement basis. The internal service funds are:

Internal Leases which is used to account for the cost to maintain buildings for use by other funds of the Nation.

Fringe Pool which is used to account for the cost of fringe benefits, including the Nation's self-insured healthcare and worker's compensation benefits, used by other funds of the Nation.

Indirect Cost Pool which is used to account for the cost of providing certain services, such as accounting, human resources, information technology and acquisition management, to other funds of the Nation.

The internal service funds combining financial statements can be found on pages 92 - 94 of this report.

Cherokee Nation Component Unit Financial Statements, as previously mentioned, are operations over which the Nation has financial accountability, but they have independent qualities as well, similar to private-sector business. The government-wide financial statements present information for the discretely presented component units in a single column. The Combining Statement of Net Position and the Combining Statement of Revenues, Expenses and Changes in Net Position present detail for each of the seven discretely presented component units.

The financial statements for component units can be found on pages 34 - 36 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements. The notes to basic financial statements can be found on pages 37 - 86 of this report.

Supplementary Information

The basic financial statements are followed by a section of supplementary information. This section of the report includes combining schedules for nonmajor governmental and enterprise funds, internal service funds and a budgetary comparison schedule for the Nation's enterprise funds. The supplementary information section begins on page 87.

Statistical Information

The statistical section provides financial statement users with additional detailed information as a context for understanding the information in the financial statements, notes to the basic financial statements, and other supplementary information as it relates to the government's overall financial health. Included in the statistical section are schedules related to financial trends, revenue capacity, debt capacity, demographic and economic indicators, and operating information. The statistical information section begins on page 96.

Comparative Analysis for Major Funds

The following is a comparative analysis for the Nation's major funds (dollars in thousands):

<u>Major Fund</u>	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>	<u>Percent Increase/ (Decrease)</u>
General Fund				
Revenues, insurance recoveries & transfers in	\$ 110,924	\$ 128,150	\$ (17,226)	(13.4)%
Expenditures & transfers out	92,424	106,906	(14,482)	(13.5)%
Fund Balance	154,948	136,448	18,500	13.6 %
PL 102-477				
Revenues, insurance recoveries & transfers in	36,203	30,176	6,027	20.0 %
Expenditures & transfers out	35,607	29,577	6,030	20.4 %
Fund Balance	2,126	1,530	596	39.0 %
Department of Transportation				
Revenues, insurance recoveries & transfers in	8,950	18,054	(9,104)	(50.4)%
Expenditures & transfers out	8,950	18,054	(9,104)	(50.4)%
Fund Balance	-	-	-	0.0 %
Self Governance DHHS				
Revenues, insurance recoveries & transfers in	465,538	390,509	75,029	19.2 %
Expenditures & transfers out	370,317	342,658	27,659	8.1 %
Fund Balance	205,027	109,806	95,221	86.7 %
Coronavirus Relief Fund				
Revenues, insurance recoveries & transfers in	220,862	-	220,862	100.0 %
Expenditures & transfers out	220,791	-	220,791	100.0 %
Fund Balance	71	-	71	100.0 %

The General Fund represents the operating activities of the tribal government. The fund balance of the General Fund increased \$18.5 million during fiscal year 2020. Revenues decreased due to decreased dividends from component units, reduced tax and licensing revenues and decreased other income for programs affected by the COVID-19 pandemic. General Fund received less transfers in of interest from the Self Governance DHHS, SG DOI Other, and Department of Transportation programs. The General Fund did not receive a transfer in from the Fringe Pool during fiscal year 2020 as it did in fiscal year 2019. Expenditures decreased due to programs such as Contract Health Service Dividend, Registration Gen Fund, Marshal Service CNE Contract, Tribal Election Fund, Tribal Training Services, Gaming Commission, Facilities Improvement, Cherokee National Holiday and TERO Job Training programs. Transfers out decreased due to one-time transfers made in fiscal year 2019 as well as matching grant funds for Self Governance DHHS, Food Distribution, Sequoyah Education and Other Grants programs.

The PL 102-477 fund reported an increase in fund balance of \$0.6 million. PL 102-477 revenues and expenditures increased due to the programs receiving additional funding during fiscal year 2020. Transfers out increased due to a transfer to help fund capital expansion of a child development center.

The Department of Transportation fund did not maintain fund balance at the end of fiscal year 2020. Department of Transportation saw both the revenues and transfers in and expenditures and transfers out decrease primarily due to the number of road projects currently under construction.

In fiscal year 2020, the Self Governance DHHS fund reported an increase in fund balance of \$95.2 million. Self Governance DHHS revenues and transfers in increased in fiscal year 2020 primarily due

to the receipt of additional funding. Self Governance DHHS expenditures and transfers out increased in fiscal year 2020 as a result of expenditures for programs such as Cherokee Nation Outpatient Health Clinic (CNOHC), Contract Health Service, Health Clinic Construction Debt Service, Biomedical Engineering and Pharmacy Refill Center.

The Coronavirus Relief Fund increased its fund balance by \$71 thousand at the end of fiscal year 2020. This fund saw both revenues and expenditures increase due to the pandemic that hit the United States during fiscal year 2020 and the funding provided through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

Government-Wide Financial Analysis

Net Position

Net position, over time, may serve as a useful indicator of a government's financial position. In the case of the Nation, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.6 billion at the close of the most recent fiscal year. The following table presents the Nation's net position for the primary government (dollars in thousands):

	Cherokee Nation's Net Position						
	Governmental		Business-Type		Total		Increase/ (Decrease)
	Activities		Activities				
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 1,975,185	\$ 1,484,938	\$ 17,310	\$ 17,256	\$ 1,992,495	\$ 1,502,194	\$ 490,301
Capital assets	413,643	389,943	3,825	2,377	417,468	392,320	25,148
Total assets	<u>2,388,828</u>	<u>1,874,881</u>	<u>21,135</u>	<u>19,633</u>	<u>2,409,963</u>	<u>1,894,514</u>	<u>515,449</u>
Deferred outflows of resources	8,985	2,297	-	-	8,985	2,297	6,688
Long-term debt outstanding	156,778	168,112	2,390	1,231	159,168	169,343	(10,175)
Other liabilities	626,109	277,588	6,797	3,965	632,906	281,553	351,353
Total liabilities	<u>782,887</u>	<u>445,700</u>	<u>9,187</u>	<u>5,196</u>	<u>792,074</u>	<u>450,896</u>	<u>341,178</u>
Net investment in capital assets	252,176	208,456	2,238	2,015	254,414	210,471	43,943
Restricted	1,220,364	1,142,623	-	-	1,220,364	1,142,623	77,741
Unrestricted	142,386	80,399	9,710	12,422	152,096	92,821	59,275
Total net position	<u>\$ 1,614,926</u>	<u>\$ 1,431,478</u>	<u>\$ 11,948</u>	<u>\$ 14,437</u>	<u>\$ 1,626,874</u>	<u>\$ 1,445,915</u>	<u>\$ 180,959</u>

The largest portion of the Nation's net position (75.0%) represents resources that are subject to external restrictions on how they may be used. An additional portion of the Nation's net position (15.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and vehicles), less any related outstanding debt that was used to acquire those assets. The Nation uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Nation's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$152.1 million is unrestricted and may be used to meet the government's ongoing obligations to its creditors and provide services to the citizens.

At September 30, 2020, the Nation reported positive net position for the government as a whole, as well as for its separate governmental and business-type activities. The Nation's overall net position increased \$180.9 million from the prior fiscal year. The reasons for this overall increase are discussed in the following section for governmental and business-type activities.

Changes in Net Position

The Nation's net position increased \$180.9 million, approximately 17.1% more than the prior year increase of \$154.6 million, for an ending balance of \$1.6 billion. The governmental activities had an increase of \$183.4 million and business-type activities had a decrease of \$2.5 million, respectively.

The Nation's total revenues increased 30.8% to \$1.0 billion in fiscal year 2020. Program revenue generated \$880.7 million, consisting of charges for services, federal and state grants, and other contributions, up from \$630.6 million from the prior fiscal year. Capital grants and contributions revenue decreased \$4.1 million in capital contributions related primarily to a reduction of revenues earned by CNB as compared to the prior fiscal year due to the COVID-19 pandemic.

Tobacco tax and fees, one of the larger increases of the general revenues, increased \$.5 million as a result of increased collections of cigarette and tobacco taxes per the compact as compared to the previous fiscal year.

Expenses for the primary government increased 34.1% or \$207.4 million to \$815.7 million. The Nation's expenses cover a range of services, including programs classified as tribal government, health services, education services, human services and community services functions. Significant changes include:

Tribal government expenses increased \$114.8 million (258.3%). This increase is due primarily for expenditures of programs funded under the Coronavirus Relief Fund.

Health service expenses increased \$31.8 million (9.4%). This increase is attributed to increases for programs such as CNOHC, IHS COVID 19 Appropriation and the Pharmacy Refill Center.

Education services expenses increased \$25.8 million (36.2%). This increase is attributed to increases for programs such as PL 102-477 Career Services and other educational and job training assistance programs funded under the Coronavirus Relief Fund.

Human services expenses increased \$16.9 million (28.4%). This increase is attributed to increases for programs funded under the Coronavirus Relief Fund which funded emergency programs for the elderly, food and utility needs during the pandemic, as well as Food Distribution and Tribal Temporary Assistance for Needy Families (TANF).

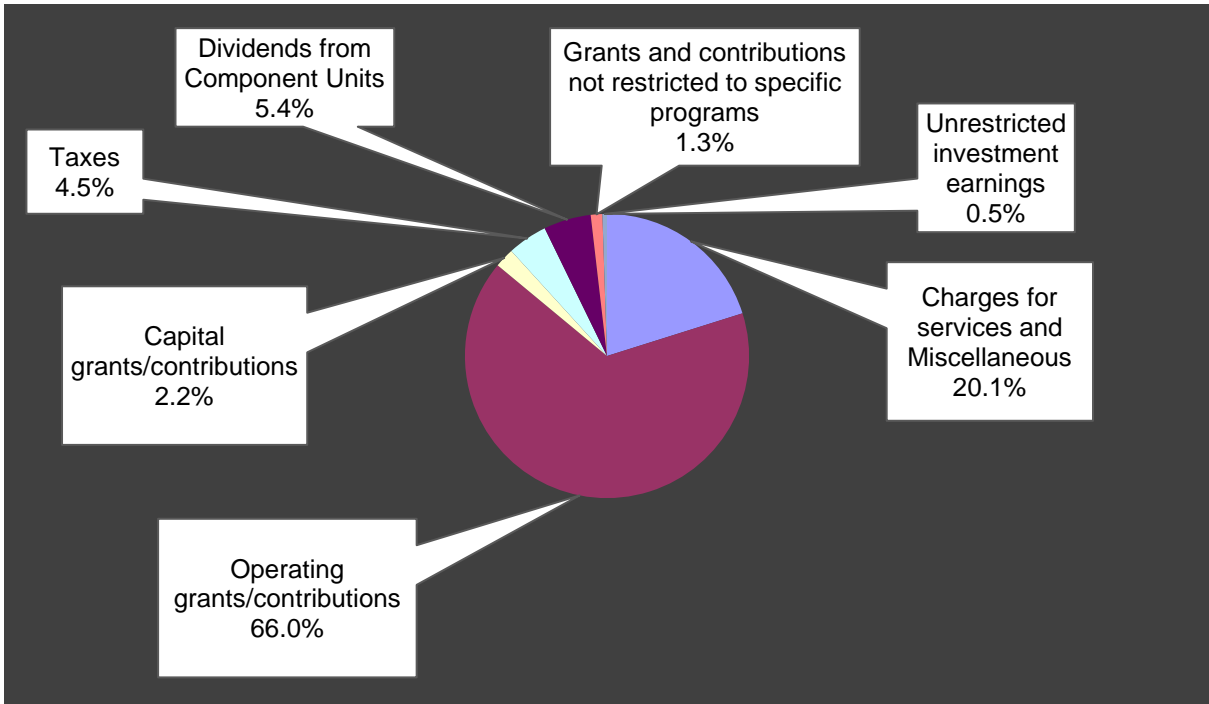
The changes in net position during 2020 are as shown on the following page (dollars in thousands):

Cherokee Nation's Changes in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 197,775	\$ 210,975	\$ 2,302	\$ 2,178	\$ 200,077	\$ 213,153
Operating grants/contributions	658,455	391,164	-	-	658,455	391,164
Capital grants/contributions	22,207	26,285	-	-	22,207	26,285
General revenues:						
Motor fuel tax	10,515	10,945	-	-	10,515	10,945
Motor vehicle tax	17,469	16,766	-	-	17,469	16,766
Tobacco tax and fees	14,765	14,245	-	-	14,765	14,245
Sales tax	2,592	4,639	-	-	2,592	4,639
Grants and contributions not restricted to specific programs	13,173	12,776	-	-	13,173	12,776
Unrestricted investment earnings	5,167	7,433	-	-	5,167	7,433
Dividends from component units	53,858	60,734	-	-	53,858	60,734
Miscellaneous	3,575	7,934	-	-	3,575	7,934
Total revenues	999,551	763,896	2,302	2,178	1,001,853	766,074
Expenses:						
Tribal government	159,294	44,454	-	-	159,294	44,454
Health services	370,897	339,118	-	-	370,897	339,118
Education services	96,994	71,235	-	-	96,994	71,235
Human services	76,285	59,403	-	-	76,285	59,403
Community services	86,591	89,261	-	-	86,591	89,261
Interest on long-term debt	4,802	4,794	-	-	4,802	4,794
Change in equity in component units	20,788	-	-	-	20,788	-
Total governmental expenses	815,651	608,265	-	-	815,651	608,265
Tsa-La-Gi Apartments	-	-	459	544	459	544
Title VI Loan Fund	-	-	-	2	-	2
CN Sanitary Landfill	-	-	4,475	2,398	4,475	2,398
EDTA	-	-	309	269	309	269
Total business-type expenses	-	-	5,243	3,213	5,243	3,213
Increase (decrease) in net position before transfers	183,900	155,631	(2,941)	(1,035)	180,959	154,596
Transfers	(452)	(1,840)	452	1,840	-	-
Change in net position	183,448	153,791	(2,489)	805	180,959	154,596
Net position—Beginning of year	1,431,478	1,277,687	14,437	13,632	1,445,915	1,291,319
Net position—End of year	<u>\$ 1,614,926</u>	<u>\$ 1,431,478</u>	<u>\$ 11,948</u>	<u>\$ 14,437</u>	<u>\$ 1,626,874</u>	<u>\$ 1,445,915</u>

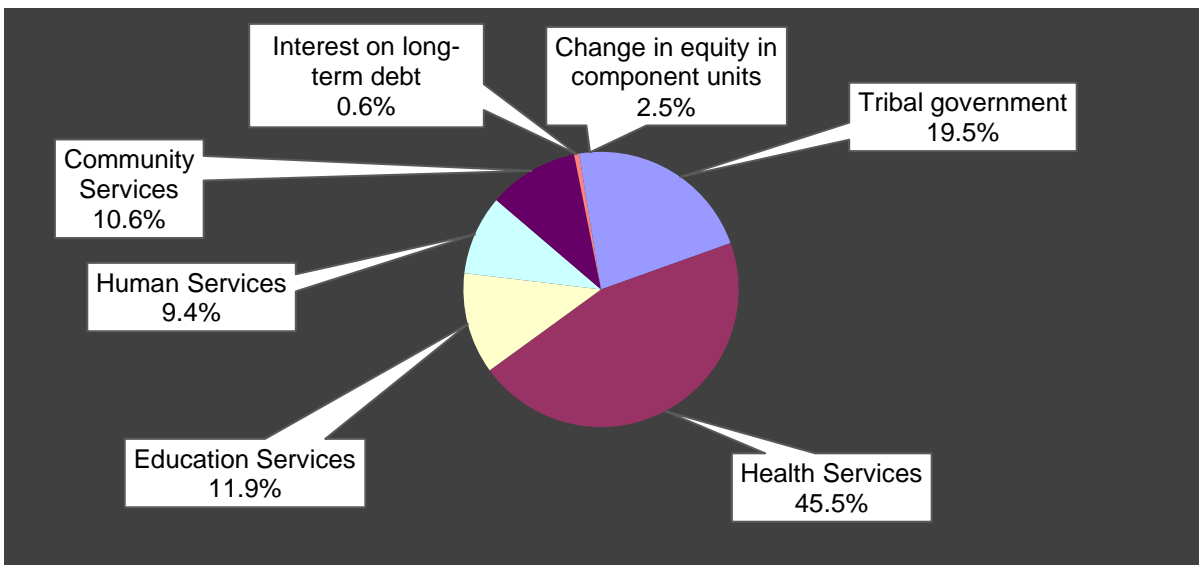
Graph 1 depicts revenues by source for the Governmental Activities of the Nation.

Graph 1 – Revenues by Source - Governmental Activities



Graph 2 depicts expenses by function for the Governmental Activities of the Nation.

Graph 2 - Expenses - Governmental Activities



For more detailed information on the charts presented above, refer to the Statement of Activities on page 26.

Significant Budget Variations

The Nation's significant General Fund budget variations in 2020 were as follows (dollars in thousands):

	Original Budget	Final Budget	Original vs. Final		Actual	Budget vs. Actual		
			Increase/ (Decrease)	Percentage Increase/ (Decrease)		Variance Increase/ (Decrease)	Percentage Increase/ (Decrease)	
Revenues:								
Property Rentals	777	777	-	- %	888	111	14%	
Motor fuel tax	8,500	8,500	-	- %	10,515	2,015	24%	
Taxes, licenses and fees	40,299	40,299	-	- %	38,338	(1,961)	(5%)	
Interest	1,273	1,273	-	- %	1,067	(206)	(16%)	
Dividends from component units	50,690	78,190	27,500	54 %	53,858	(24,332)	(31%)	
Other	6,828	6,850	22	- %	3,059	(3,791)	(55%)	
Expenditures:								
Tribal government	43,601	65,073	21,472	49%	21,770	(43,303)	(67%)	
Health services	8,243	8,248	5	- %	1,591	(6,657)	(81%)	
Education services	36,176	37,647	1,471	4%	30,397	(7,250)	(19%)	
Human services	6,040	5,569	(471)	(8%)	4,390	(1,179)	(21%)	
Community services	51,230	50,715	(515)	(1%)	29,570	(21,145)	(42%)	
Capital outlay	4,347	4,863	516	12%	1,514	(3,349)	(69%)	

The Nation's Tribal Council approved a comprehensive annual budget prior to the beginning of the fiscal year. During the year, budget modifications were submitted to Council based upon anticipated changes in levels of actual revenues and expenditures/expenses. Variances between actual and final General Fund budget were as follows:

Property rentals — Actual revenues collected were more than budgeted due to Tribal Rental Units, Tribal Leases Realty and Land Development Land Ops.

Motor fuel tax — The actual revenues collected were greater than budget due to increased collections of fuel taxes as part of the Compact.

Interest — The actual revenue was less than budget primarily due to lower interest rates on funds kept in interest bearing accounts such as the Motor Fuels Tax (MFT) Education Reserve.

Dividends from component units — Actual revenue was lower than budget due to a lower Net Income for Component Units.

Other — The actual revenue was less than budget primarily because of the effect of the pandemic on the programs that receive this type of revenue such as the Marshal Service CNE Contract, Economic Development and Tribal Training Services programs.

Tribal government — The actual expenditures were less than budget, primarily caused by reserves established for cash match for grants and contingencies which were not utilized in 2020 as well as other program expenditures not fully expended at the level budgeted for programs such as the Marshal Service CNE Contract, the Housing, Jobs, and Sustainable Communities Act of 2019 (HJSCA) Housing Rehabilitation, the HJSCA Cherokee Community Buildings, the Gaming Commission, the Durbin Feeling Language Center and Registration Gen Fund.

Health services — Actual expenditures were lower than budget due to programs like Contract Health Service Dividend, Community Recreation Center and Substance Abuse Treatment.

Education services — The actual expenditures were less than budget as a result of programs spending at a lesser than budget rate including MFT Education Reserve, Economic Development, MVT Public School Coop, Sequoyah Activity Fund, Tribal Training Services, CN Historical Society and Vocational Assistance.

Human services — Actual expenditures were lower than budget because of programs like Indian Child Welfare (ICW) Child Protection and Elders In Need.

Community services — The actual expenditures were less than budget as a result of reserves of Motor Vehicle Taxes allocated for education, roads and law enforcement programs not utilized in 2020 and timing of projects including roads construction and bridge construction in the Motor Fuel Tax and Motor Vehicle Tax programs. Other programs, such as the Tax Commission did not expend funds at the level budgeted.

Capital outlay — The Nation’s budget included approximately \$4.2 million for strategic land purchases from the proceeds of the Arkansas Riverbed settlement funds of which \$0.9 million was utilized during 2020. The unused portion of the budgeted balance was offset by increased capital expenditures that were more than budget for the HJSCA Cherokee Community Buildings, Durbin Feeling Language Center and Community Water and Sewer programs.

Capital Assets and Debt Administration

The Nation’s capital assets, net of depreciation, at the end of fiscal year 2020 were \$417.5 million. The Nation has no public domain (infrastructure) capital assets. The following table presents details of the Nation’s capital assets, net of depreciation (dollars in thousands):

	Governmental Activities	Business-type Activities	Total
Land and improvements	\$ 23,882	\$ 2,061	\$ 25,943
Construction in progress	19,448	-	19,448
Buildings and improvements	328,967	120	329,087
Equipment	41,346	1,644	42,990
Total capital assets	<u>\$ 413,643</u>	<u>\$ 3,825</u>	<u>\$ 417,468</u>

Additional information on the Nation’s capital assets can be found in Note 7 on pages 64 - 66 of this report.

The Nation’s long-term debt at the end of fiscal year 2020 was approximately \$159.2 million, primarily related to the joint venture construction project for CNOHC located in Tahlequah, Oklahoma. The following is a summary of long-term debt at September 30, 2020 (dollars in thousands):

	Governmental Activities	Business-type Activities	Total
Notes payable	\$ 156,778	\$ 803	\$ 157,581
Capital leases payable	-	1,587	1,587
Total long-term debt	<u>\$ 156,778</u>	<u>\$ 2,390</u>	<u>\$ 159,168</u>

The Nation, as a tribal government, has the ability to incur debt, similar to a state or local government. The Nation entered into a construction loan for a new outpatient health facility in Tahlequah, Oklahoma during fiscal year 2016.

Additional information on the Nation’s long-term debt can be found in Note 8 on pages 66 - 71 of this report.

Economic Factors and Next Year’s Budget

The Nation continues to provide vital services to the citizens. The outlook for 2021 revenue is projected to be flat for the General Fund. Budgeted expenditures and transfers for the Nation’s General Fund for fiscal year 2021 total \$198.4 million, approximately \$3.3 million less than the final amounts budgeted for fiscal year 2020 due to the conservative budgeting and spending practices implemented.

The Nation’s federally funded programs are expected to receive stable levels of funding in the fiscal year 2020 federal budget. In late 2019, the Nation opened the newly constructed Cherokee Nation Outpatient Health Clinic. This Indian Health Service Joint Venture Project was the largest project ever undertaken by the IHS and a Tribe. It is expected that annual federal appropriations for this facility will be approximately \$100 million annually. For fiscal year 2020, the Nation received a full year’s funding to operate this facility.

During March 2020, the COVID-19 pandemic hit the United States and the Nation. Congress passed the CARES Act to provide fast and direct economic assistance for American workers, families, small businesses and preserve jobs for American industries. Funds were issued to the Nation from the Department of Treasury with a limited scope and time to expend. These are expected to be one time funded funds.

Oklahoma is expected to continue to have steady economic certainty in gaming, despite the efforts by all tribes to expand their market share. The expansions by other tribes in the Tulsa market provide direct competition for the Nation’s Catoosa casino operated by Cherokee Nation Entertainment, LLC (CNE); however, the overall effect has been mitigated to a large degree through strategic growth and marketing strategies. To address the competitive factors, CNB and CNE have begun an aggressive growth and development strategy for its flagship properties including branding the Catoosa facility as a Hard Rock Hotel and Casino. CNE also continues its innovative approach to offering the newest gaming options available and to improve loyalty within its existing customer base including targeted marketing and rewards programs.

Requests for Information

This financial report is designed to provide a general overview of the Nation's finances to its citizens, customers, creditors, and other interested parties. For additional information related to the Nation or its component units, please access the Cherokee Nation website at www.cherokee.org.



IN THIS TOGETHER



Basic Financial Statements



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Government-wide Financial Statements

CHEROKEE NATION

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 977,614	\$ 6,768	\$ 984,382	\$ 371,216
Investments	15,636	-	15,636	5,848
Receivables, net	34,288	293	34,581	121,672
Internal Balances	3,252	(3,252)	-	-
Due from primary government	-	-	-	5,467
Due from component units	9,000	-	9,000	-
Inventories	10,628	-	10,628	14,979
Notes receivable	-	1,559	1,559	515
Other current assets	12,963	2	12,965	19,119
Restricted cash, cash equivalents and investments	538	3,870	4,408	8,315
Long-term notes receivable	1,372	8,070	9,442	12,494
Other assets	50	-	50	599
Investment in joint ventures/partnerships	-	-	-	5,256
Equity interests in component units	909,844	-	909,844	-
Capital assets, non depreciable	42,208	236	42,444	118,888
Capital assets, depreciable, net	371,435	3,589	375,024	659,024
Total assets	2,388,828	21,135	2,409,963	1,343,392
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivative	8,985	-	8,985	-
Goodwill attributed to prior year business acquisitions	-	-	-	18,840
Total deferred outflows of resources	8,985	-	8,985	18,840
Liabilities				
Accounts payable	19,821	-	19,821	190,351
Accrued liabilities	38,763	33	38,796	-
Due to primary government	-	-	-	14,467
Other current liabilities	4,109	48	4,157	-
Unearned revenue	542,512	-	542,512	503
Notes payable and long-term debt				
Due within one year	11,333	66	11,399	2,080
Due in more than one year	145,445	737	146,182	156,398
Capital leases				
Due within one year	-	363	363	60
Due in more than one year	-	1,224	1,224	93
Compensated absences				
Due within one year	11,919	-	11,919	-
Derivative instrument - rate swap	8,985	-	8,985	-
Trust liabilities	-	-	-	2,638
Other noncurrent liabilities	-	6,716	6,716	-
Total liabilities	782,887	9,187	792,074	366,590
Net Position				
Net investment in capital assets	252,176	2,238	254,414	702,909
Restricted for:				
Education, Health, Roads and Safety (MFT)	58,457	-	58,457	-
Education, Roads and Safety (MVT)	17,169	-	17,169	-
Permanent Funds - expendable	101	-	101	-
Permanent Funds - nonexpendable	425	-	425	-
Construction	-	-	-	1,072
Equity interests in component units	909,844	-	909,844	-
Equity interest of minority entity, nonexpendable	-	-	-	2,356
Investment in partnership/joint ventures	-	-	-	-
Program services	234,368	-	234,368	30,959
Unrestricted	142,386	9,710	152,096	258,346
Total net position	\$ 1,614,926	\$ 11,948	\$ 1,626,874	\$ 995,642

See notes to basic financial statements

CHEROKEE NATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(Dollars in Thousands)**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
Tribal government	\$ 159,294	\$ 4,385	\$ 129,908	\$ 170	\$ (24,831)	\$ -	\$ (24,831)	\$ -
Health services	370,897	193,374	338,882	22,037	183,396	-	183,396	-
Education services	96,994	-	64,294	-	(32,700)	-	(32,700)	-
Human services	76,285	-	67,442	-	(8,843)	-	(8,843)	-
Community services	86,591	16	57,929	-	(28,646)	-	(28,646)	-
Interest on long-term debt	4,802	-	-	-	(4,802)	-	(4,802)	-
Change in equity in component units	20,788	-	-	-	(20,788)	-	(20,788)	-
Total governmental activities	815,651	197,775	658,455	22,207	62,786	-	62,786	-
Business-type activities:								
Tsa-La-Gi Apartments	459	627	-	-	-	168	168	-
CN Sanitary Landfill	4,475	1,108	-	-	-	(3,367)	(3,367)	-
EDTA	309	567	-	-	-	258	258	-
Total business-type activities	5,243	2,302	-	-	-	(2,941)	(2,941)	-
Total primary government	\$ 820,894	\$ 200,077	\$ 658,455	\$ 22,207	62,786	(2,941)	59,845	-
Component Units	\$ 1,255,578	\$ 1,106,939	\$ 125,445	\$ -				(23,194)
General Revenues:								
Motor fuel tax					10,515	-	10,515	-
Motor vehicle tax					17,469	-	17,469	-
Tobacco tax					14,765	-	14,765	-
Sales tax					2,592	-	2,592	-
Grants and contributions not restricted to specific programs					13,173	-	13,173	-
Unrestricted investment earnings					5,167	-	5,167	2,631
Dividends from component units					53,858	-	53,858	-
Miscellaneous revenue					3,575	-	3,575	-
(Loss) on investment in joint ventures					-	-	-	(264)
Transfers					(452)	452	-	-
Total general revenues and transfers					120,662	452	121,114	2,367
Change in net position					183,448	(2,489)	180,959	(20,827)
Net position - beginning					1,431,478	14,437	1,445,915	1,016,469
Net position - ending					\$ 1,614,926	\$ 11,948	\$ 1,626,874	\$ 995,642

See notes to basic financial statements



IN THIS TOGETHER



Fund Financial Statements

CHEROKEE NATION

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

(Dollars in Thousands)

	<u>General</u>	<u>PL 102-477</u>	<u>Department of Transportation</u>	<u>Self Governance DHHS</u>	<u>Coronavirus Relief Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 132,406	\$ 104,873	\$ 84,535	\$ 360,270	\$ 219,621	\$ 75,691	\$ 977,396
Investments	-	-	-	-	-	15,636	15,636
Receivables, net	4,361	28	-	15,515	-	13,712	33,616
Due from other funds	54,716	-	-	-	-	86,955	141,671
Due from component units	13,431	-	-	-	-	-	13,431
Inventories	4	-	-	8,426	-	1,988	10,418
Other current assets	1	-	-	9,412	-	1,089	10,502
Restricted cash, cash equivalents and investments	11	-	-	-	-	527	538
Long-term notes receivable	-	-	-	-	-	1,372	1,372
Total assets	<u>\$ 204,930</u>	<u>\$ 104,901</u>	<u>\$ 84,535</u>	<u>\$ 393,623</u>	<u>\$ 219,621</u>	<u>\$ 196,970</u>	<u>\$ 1,204,580</u>
LIABILITIES							
Accounts payable	\$ 19,821	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,821
Accrued liabilities	9,282	-	-	11,893	46	1,507	22,728
Due to other funds	19,026	30,614	2,682	75,464	29,389	9,998	167,173
Due to component units	-	-	-	-	-	4,749	4,749
Other liabilities	45	-	-	13	-	1	59
Unearned revenue	1,808	72,161	81,853	101,226	190,115	95,349	542,512
Total liabilities	<u>49,982</u>	<u>102,775</u>	<u>84,535</u>	<u>188,596</u>	<u>219,550</u>	<u>111,604</u>	<u>757,042</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - notes receivables	-	-	-	-	-	1,372	1,372
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,372</u>	<u>1,372</u>
FUND BALANCES							
Nonspendable	4	-	-	17,838	-	425	18,267
Restricted	81,766	2,126	-	187,189	71	27,316	298,468
Committed	22,583	-	-	-	-	-	22,583
Assigned	14,882	-	-	-	-	56,253	71,135
Unassigned	35,713	-	-	-	-	-	35,713
Total fund balances	<u>154,948</u>	<u>2,126</u>	<u>-</u>	<u>205,027</u>	<u>71</u>	<u>83,994</u>	<u>446,166</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 204,930</u>	<u>\$ 104,901</u>	<u>\$ 84,535</u>	<u>\$ 393,623</u>	<u>\$ 219,621</u>	<u>\$ 196,970</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	389,576
The equity interests in component units is not an available resource and, therefore, is not reported in the funds.	909,844
Assets recorded in government-wide financial statements that are not available to pay for current period expenditures, therefore, are unavailable and not recorded in the funds.	1,372
Derivative instruments:	
Rate swaps not reported in governmental funds	(8,985)
Deferred outflows of resources used to accumulate decreases in fair value of hedging derivative also not reported in governmental funds	8,985
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	24,746
Liabilities that are not due and payable in the current period and, therefore, not reported in the funds.	(156,778)
Net position of governmental activities	<u>\$ 1,614,926</u>

CHEROKEE NATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(Dollars in Thousands)**

	General	PL 102-477	Department of Transportation	Self Governance DHHS	Coronavirus Relief Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Intergovernmental	\$ -	\$ 34,587	\$ 8,229	\$ 309,428	\$ 220,791	\$ 131,753	\$ 704,788
Property rentals	888	-	-	-	-	-	888
Motor fuel tax	10,515	-	-	-	-	-	10,515
Taxes, licenses and fees	38,338	-	-	-	-	-	38,338
Interest	1,067	701	721	2,423	71	914	5,897
Dividends from component units	53,858	-	-	-	-	-	53,858
Third party revenues	-	-	-	152,109	-	1,826	153,935
Other	3,059	915	-	462	-	26,726	31,162
Total revenues	<u>107,725</u>	<u>36,203</u>	<u>8,950</u>	<u>464,422</u>	<u>220,862</u>	<u>161,219</u>	<u>999,381</u>
Expenditures:							
Current operating:							
Tribal Government	21,770	-	-	140	122,762	11,028	155,700
Health Services	1,591	-	-	288,985	48,214	28,508	367,298
Education Services	30,397	9,441	-	-	26,302	30,857	96,997
Human Services	4,390	26,000	-	-	12,520	33,409	76,319
Community Services	29,570	-	8,289	6,650	4,889	35,957	85,355
Debt service:							
Principal	-	-	-	11,333	-	-	11,333
Interest	-	-	-	4,802	-	-	4,802
Capital outlay	1,514	89	-	2,166	6,104	30,383	40,256
Total expenditures	<u>89,232</u>	<u>35,530</u>	<u>8,289</u>	<u>314,076</u>	<u>220,791</u>	<u>170,142</u>	<u>838,060</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,493</u>	<u>673</u>	<u>661</u>	<u>150,346</u>	<u>71</u>	<u>(8,923)</u>	<u>161,321</u>
Other financing sources (uses):							
Insurance recoveries, net	-	-	-	(1)	-	56	55
Transfers in	3,199	-	-	1,117	-	56,420	60,736
Transfers out	(3,192)	(77)	(661)	(56,241)	-	(1,029)	(61,200)
Total other financing sources (uses)	<u>7</u>	<u>(77)</u>	<u>(661)</u>	<u>(55,125)</u>	<u>-</u>	<u>55,447</u>	<u>(409)</u>
Net change in fund balances	18,500	596	-	95,221	71	46,524	160,912
Fund balances, October 1, 2019	136,448	1,530	-	109,806	-	37,470	285,254
Fund balances, September 30, 2020	<u>\$ 154,948</u>	<u>\$ 2,126</u>	<u>\$ -</u>	<u>\$ 205,027</u>	<u>\$ 71</u>	<u>\$ 83,994</u>	<u>\$ 446,166</u>

See notes to basic financial statements

CHEROKEE NATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2020 (Dollars in Thousands)

Net change in fund balances - total governmental funds \$ 160,912

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. \$ 23,387

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. \$ 11,333

The decrease in equity in component units, in the statement of activities, does not use current financial resources and is not reported as expenditures in the funds. \$ (20,788)

Some expenses are reported in the statement of activities when incurred and presented in the governmental funds when paid. \$ 1,379

Contributions of capital assets recorded as revenue in the government-wide financial statements but not recorded at the governmental fund level. \$ 170

The internal service funds are used to account for those activities which provide services to other functions within the government. The majority of the costs are allocated to the governmental funds in the government- wide financial statements. This amount is the net effect of the allocations. \$ 7,055

Change in net position of governmental activities \$ 183,448

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS) - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020 (Dollars in Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property rentals	\$ 777	\$ 777	\$ 888	\$ 111
Motor fuel tax	8,500	8,500	10,515	2,015
Taxes, licenses and fees	40,299	40,299	38,338	(1,961)
Interest	1,273	1,273	1,067	(206)
Dividends from component units	50,690	78,190	53,858	(24,332)
Other	6,828	6,850	3,059	(3,791)
Total revenues	<u>108,367</u>	<u>135,889</u>	<u>107,725</u>	<u>(28,164)</u>
Expenditures:				
Tribal government	43,601	65,073	21,770	(43,303)
Health services	8,243	8,248	1,591	(6,657)
Education services	36,176	37,647	30,397	(7,250)
Human services	6,040	5,569	4,390	(1,179)
Community services	51,230	50,715	29,570	(21,145)
Capital outlay	4,347	4,863	1,514	(3,349)
Total expenditures	<u>149,637</u>	<u>172,115</u>	<u>89,232</u>	<u>(82,883)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,270)</u>	<u>(36,226)</u>	<u>18,493</u>	<u>54,719</u>
Other financing sources (uses):				
Transfers in	20,444	22,643	3,199	(19,444)
Transfers out	<u>(21,907)</u>	<u>(29,606)</u>	<u>(3,192)</u>	<u>26,414</u>
Total other financing sources (uses)	<u>(1,463)</u>	<u>(6,963)</u>	<u>7</u>	<u>6,970</u>
Net change in fund balance	(42,733)	(43,189)	18,500	61,689
Fund balance, October 1, 2019	136,448	136,448	136,448	-
Fund balance, September 30, 2020	<u>\$ 93,715</u>	<u>\$ 93,259</u>	<u>\$ 154,948</u>	<u>\$ 61,689</u>

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2020

(Dollars in Thousands)

	Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,768	\$ 6,768	\$ 218
Receivables, net	293	293	672
Due from other funds	-	-	32,470
Due from component units	-	-	318
Inventories	-	-	210
Notes receivable, current	1,559	1,559	-
Other current assets	2	2	2,461
Total current assets	8,622	8,622	36,349
Noncurrent assets:			
Restricted cash, cash equivalents and investments	3,870	3,870	-
Long-term notes receivable	8,070	8,070	-
Capital assets, net	3,825	3,825	24,067
Total noncurrent assets	15,765	15,765	24,067
Total assets	24,387	24,387	60,416
LIABILITIES			
Current liabilities:			
Accrued liabilities	33	33	16,035
Current portion of long-term debt	66	66	-
Current portion of capital leases	363	363	-
Due to other funds	106	106	3,716
Compensated absences	-	-	11,919
Other current liabilities	48	48	4,050
Total current liabilities	616	616	35,720
Noncurrent liabilities:			
Long-term due to other funds	3,146	3,146	-
Long-term debt	737	737	-
Capital leases payable	1,224	1,224	-
Other liabilities	6,666	6,666	-
Total noncurrent liabilities	11,773	11,773	-
Total liabilities	12,389	12,389	35,720
NET POSITION			
Net investment in capital assets	2,238	2,238	24,067
Unrestricted	9,760	9,760	629
Total net position	\$ 11,998	11,998	\$ 24,696
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds		(50)	
Net position of business-type activities		\$ 11,948	

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2020 (Dollars in Thousands)

	Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
Operating revenues:			
Property rentals	\$ 621	\$ 621	\$ 5
Charges for services and goods	1,061	1,061	153,790
Interest income, loans	468	468	-
Other	100	100	84
Total operating revenues	<u>2,250</u>	<u>2,250</u>	<u>153,879</u>
Operating expenses:			
Salaries and wages	605	605	124,824
Other services and charges	3,889	3,889	18,438
Materials and supplies	36	36	2,162
Depreciation	672	672	1,415
Total operating expenses	<u>5,202</u>	<u>5,202</u>	<u>146,839</u>
Operating income (loss)	<u>(2,952)</u>	<u>(2,952)</u>	<u>7,040</u>
Nonoperating revenues (expenses):			
Interest income	53	53	-
Interest expense	(54)	(54)	-
Gain/(loss) on sale of capital assets	(1)	(1)	16
Net nonoperating revenues (expenses)	<u>(2)</u>	<u>(2)</u>	<u>16</u>
Income (loss) before transfers	(2,954)	(2,954)	7,056
Transfers in	452	452	12
Change in net position	(2,502)	(2,502)	7,068
Total net position - beginning	<u>14,500</u>		<u>17,628</u>
Total net position - ending	<u>\$ 11,998</u>		<u>\$ 24,696</u>
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds		<u>13</u>	
Change in net position of business-type activities		<u>\$ (2,489)</u>	

See notes to basic financial statements

CHEROKEE NATION

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2020 (Dollars in Thousands)

	Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:			
Receipts from customers	\$ 1,704	\$ 1,704	\$ 159,305
Payments to suppliers	(1,082)	(1,082)	(23,933)
Payments to employees	(605)	(605)	(121,733)
Internal activity - payments from other funds	48	48	6,138
Internal activity - payments to other funds	-	-	(20,522)
Internal activity - payments from component units	-	-	848
Interest received on loans	468	468	-
Other receipts	100	100	84
Net cash provided by operating activities	<u>633</u>	<u>633</u>	<u>187</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	452	452	12
Principal paid on notes payable	(66)	(66)	-
Interest paid on notes payable	(9)	(9)	-
Net cash provided by noncapital financing activities	<u>377</u>	<u>377</u>	<u>12</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(238)	(238)	(134)
Principal paid on capital debt and leases	(658)	(658)	-
Interest paid on capital debt	(45)	(45)	-
Net cash (used for) capital and related financing activities	<u>(941)</u>	<u>(941)</u>	<u>(134)</u>
Cash flows from investing activities:			
Interest received	53	53	-
Increase in notes receivable, net	1,013	1,013	-
Net cash provided by investing activities	<u>1,066</u>	<u>1,066</u>	<u>-</u>
Net increase in cash and cash equivalents	1,135	1,135	65
Cash and cash equivalents, October 1, 2019	9,503	9,503	153
Cash and cash equivalents, September 30, 2020	<u>\$ 10,638</u>	<u>\$ 10,638</u>	<u>\$ 218</u>
Cash and Cash Equivalents consist of:			
Unrestricted cash and cash equivalents	\$ 6,768	\$ 6,768	\$ 218
Restricted cash, cash equivalents and investments	3,870	3,870	-
Total Cash and Cash Equivalents, September 30, 2020	<u>\$ 10,638</u>	<u>\$ 10,638</u>	<u>\$ 218</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (2,952)	\$ (2,952)	\$ 7,040
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	672	672	1,415
Change in assets and liabilities:			
Receivables, net	20	20	(14,975)
Inventories	-	-	23
Other current assets	-	-	(734)
Accounts and other payables	2,893	2,893	7,418
Net cash provided by operating activities	<u>\$ 633</u>	<u>\$ 633</u>	<u>\$ 187</u>
Noncash investing, capital and financing activities:			
Capital lease incurred for purchase of capital equipment	\$ 1,883	\$ 1,883	\$ -

See notes to basic financial statements

CHEROKEE NATION

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
SEPTEMBER 30, 2020
(Dollars in Thousands)

	Cherokee Nation Businesses, LLC (CNB)	Housing Authority of the Cherokee Nation (HACN)	Cherokee Nation Comprehensive Care Agency (CNCCA)	Cherokee Nation Home Health Services, Inc. (CNHHS)	Cherokee Health Partners LLC (CHP)	Cherokee Nation Foundation (CNF)	Cherokee National Historical Society, Inc. (CNHS)	Total
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 358,065	\$ 6,301	\$ 2,715	\$ 1,766	\$ 1,604	\$ 439	\$ 326	\$ 371,216
Restricted cash	5,663	-	-	-	-	120	-	5,783
Investments	-	3,635	-	-	-	1,202	1,011	5,848
Receivables, net	117,292	1,194	371	694	2,006	79	36	121,672
Due from primary government	-	5,467	-	-	-	-	-	5,467
Inventories	14,194	-	-	-	761	-	24	14,979
Notes receivable	-	515	-	-	-	-	-	515
Other current assets	16,570	2,342	37	36	133	-	1	19,119
Total current assets	511,784	19,454	3,123	2,496	4,504	1,840	1,398	544,599
Noncurrent assets:								
Restricted investments	-	2,532	-	-	-	-	-	2,532
Notes receivable	-	12,494	-	-	-	-	-	12,494
Other assets	-	547	-	-	52	-	-	599
Investment in partnerships/joint ventures	3,457	1,378	-	-	421	-	-	5,256
Capital assets, net	671,698	101,211	2,216	502	1,205	5	1,075	777,912
Total noncurrent assets	675,155	118,162	2,216	502	1,678	5	1,075	798,793
Total assets	1,186,939	137,616	5,339	2,998	6,182	1,845	2,473	1,343,392
Deferred Outflows of Resources:								
Goodwill attributed to prior year business acquisitions	17,313	-	-	-	1,527	-	-	18,840
Total deferred outflows of resources	17,313	-	-	-	1,527	-	-	18,840
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities	182,614	2,075	1,654	440	3,530	19	19	190,351
Due to primary government	14,304	-	157	5	-	1	-	14,467
Unearned revenue	-	266	-	237	-	-	-	503
Current portion of notes payable	-	1,210	-	-	-	-	61	1,271
Current portion of long-term debt	-	-	-	639	170	-	-	809
Current portion of capital leases	-	-	-	60	-	-	-	60
Total current liabilities	196,918	3,551	1,811	1,381	3,700	20	80	207,461
Noncurrent liabilities:								
Trust liabilities	-	2,638	-	-	-	-	-	2,638
Notes payable	100,000	55,377	-	-	-	-	-	155,377
Long-term debt	-	-	-	400	621	-	-	1,021
Long-term capital leases	-	-	-	93	-	-	-	93
Total noncurrent liabilities	100,000	58,015	-	493	621	-	-	159,129
Total liabilities	296,918	61,566	1,811	1,874	4,321	20	80	366,590
NET POSITION								
Net investment in capital assets	654,380	44,624	2,216	195	414	5	1,075	702,909
Restricted, nonexpendable:								
Equity interest of minority entity	-	-	-	-	2,356	-	-	2,356
Restricted, expendable for:								
Construction	1,072	-	-	-	-	-	-	1,072
Program services	-	30,048	-	-	-	559	352	30,959
Unrestricted	251,882	1,378	1,312	929	618	1,261	966	258,346
Total net position	\$ 907,334	\$ 76,050	\$ 3,528	\$ 1,124	\$ 3,388	\$ 1,825	\$ 2,393	\$ 995,642

See notes to basic financial statements

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(Dollars in Thousands)**

	Cherokee Nation Businesses, LLC (CNB)	Housing Authority of the Cherokee Nation (HACN)	Cherokee Nation Comprehensive Care Agency (CNCCA)	Cherokee Nation Home Health Services, Inc. (CNHHS)	Cherokee Health Partners, LLC (CHP)	Cherokee Nation Foundation (CNF)	Cherokee National Historical Society, Inc. (CNHS)	Total
Operating revenues:								
Charges for services and goods	\$ 1,050,387	\$ 7,317	\$ 16,763	\$ 6,307	\$ 16,661	\$ -	\$ -	\$ 1,097,435
Relief fund allocation	-	-	-	-	657	-	-	657
Income (loss) from investments in joint ventures	(264)	-	-	-	-	-	-	(264)
Other	-	5,588	-	43	-	1,623	1,593	8,847
Total operating revenues	1,050,123	12,905	16,763	6,350	17,318	1,623	1,593	1,106,675
Operating expenses:								
Cost of sales/operations	574,001	16,738	-	-	-	-	-	590,739
Salaries and wages	254,446	12,826	4,893	4,045	-	405	879	277,494
Other services and charges	146,956	188	10,913	2,141	15,426	759	628	177,011
Depreciation and amortization	54,415	5,815	221	72	365	2	49	60,939
Total operating expenses	1,029,818	35,567	16,027	6,258	15,791	1,166	1,556	1,106,183
Operating income (loss)	20,305	(22,662)	736	92	1,527	457	37	492
Nonoperating revenues (expenses):								
Grant revenue	-	23,609	-	-	-	-	-	23,609
CARES Act relief	101,334	-	-	502	-	-	-	101,836
Interest/investment income	1,227	738	6	2	-	-	21	1,994
Interest expense	(1,882)	(2,431)	-	(28)	(33)	-	-	(4,374)
Other nonoperating expense during COVID closure	(55,929)	-	-	-	-	-	-	(55,929)
Insurance recoveries, net of asset impairment and remediation expense	637	-	-	-	-	-	-	637
Other, net	(657)	54	-	-	251	-	-	(352)
Net nonoperating revenues (expenses)	44,730	21,970	6	476	218	-	21	67,421
Net Income (loss) before dividends and capital grants	65,035	(692)	742	568	1,745	457	58	67,913
Dividends to primary government	(50,690)	-	-	-	-	-	-	(50,690)
Distributions	-	-	-	-	(2,978)	-	-	(2,978)
Capital grants to Cherokee Nation and others	(35,072)	-	-	-	-	-	-	(35,072)
Change in net position	(20,727)	(692)	742	568	(1,233)	457	58	(20,827)
Net position, beginning of year	928,061	76,742	2,786	556	4,621	1,368	2,335	1,016,469
Net position, end of year	\$ 907,334	\$ 76,050	\$ 3,528	\$ 1,124	\$ 3,388	\$ 1,825	\$ 2,393	\$ 995,642

See notes to basic financial statements

CHEROKEE NATION

**RECAST OF THE COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(Dollars in Thousands)**

	Discretely Presented Component Units	Government-wide - Statement of Activities				
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Revenues
Operating revenues:						
Charges for services and goods	\$ 1,097,435	\$ -	\$ 1,097,435	\$ -	\$ -	\$ -
Provider relief funds	657	-	657	-	-	-
(Loss) from investments in joint ventures	(264)	-	-	-	-	(264)
Other	8,847	-	8,847	-	-	-
Total operating revenues	1,106,675	-	1,106,939	-	-	(264)
Operating expenses:						
Cost of sales/operations	590,739	590,739	-	-	-	-
Salaries and wages	277,494	277,494	-	-	-	-
Other services and charges	177,011	177,011	-	-	-	-
Depreciation and amortization	60,939	60,939	-	-	-	-
Total operating expenses	1,106,183	1,106,183	-	-	-	-
Operating income (loss)	492	(1,106,183)	1,106,939	-	-	(264)
Nonoperating revenues (expenses):						
Grant revenue	23,609	-	-	23,609	-	-
CARES Act relief	101,836	-	-	101,836	-	-
Interest/investment income	1,994	-	-	-	-	1,994
Interest expense	(4,374)	(4,374)	-	-	-	-
Other nonoperating expense during COVID closure	(55,929)	(55,929)	-	-	-	-
Insurance recoveries, net of asset impairment and remediation expense	637	-	-	-	-	637
Other, net	(352)	(352)	-	-	-	-
Net nonoperating revenues (expenses)	67,421	(60,655)	-	125,445	-	2,631
Net Income (loss) before dividends and capital grants	67,913	(1,166,838)	1,106,939	125,445	-	2,367
Dividends to primary government	(50,690)	(50,690)	-	-	-	-
Distributions	(2,978)	(2,978)	-	-	-	-
Capital grants to Cherokee Nation and others	(35,072)	(35,072)	-	-	-	-
Change in net position	(20,827)	(1,255,578)	1,106,939	125,445	-	2,367
Net position, beginning of year	1,016,469	-	-	-	-	1,016,469
Net position, end of year	\$ 995,642	\$ (1,255,578)	\$ 1,106,939	\$ 125,445	\$ -	\$ 1,018,836

See notes to basic financial statements



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Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information and Basis of Presentation

The basic financial statements of the Cherokee Nation (the Nation) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Nation is a sovereign tribal government with Executive, Legislative, and Judicial Branches. The basic financial statements of the Nation present the reporting entity, which consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Nation's basic financial statements to be misleading or incomplete. Accordingly, the accompanying basic financial statements reflect the financial position and the operations of the Nation for all amounts received, disbursed, or in the custody of the Nation or the United States Department of Interior (DOI) and the United States Treasury, as its trustee, as well as all other funds and activities over which the Nation exercises financial accountability. The Nation's basic financial statements do not include the financial position or activities of various federal and state governmental agencies operating within the tribal reservation. The Nation determines its financial reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, and GASB Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, as applicable, and, based on that criterion, has included the following entities as component units within the Nation's basic financial statements.

Discretely Presented Component Units

The component units' column in the government-wide financial statements includes the financial data of the Nation's discretely presented component units. These discretely presented component units are reported in a separate column to emphasize that they are legally separate from the primary government. Part of the determination for presenting them as discretely presented component units is that the Principal Chief, upon Legislative approval, has the ability to appoint and remove members of the component units governing boards at will. In addition, the component units do not provide services entirely or almost entirely to the primary government or for the benefit of the primary government. The following component units are included in the reporting entity because the primary government is financially accountable for and is able to impose its will on these organizations.

Cherokee Nation Businesses, LLC (CNB) — CNB, a tribal limited liability company, was created June 16, 2004, to provide “decision support” services and strategic coordination of business activities for the Nation and to act as a holding company for certain Nation business enterprises and investments. The Nation created CNB and is able to exert significant influence over CNB's activities as a result of its relationship to CNB and board member appointments. CNB and the companies it owns are managed through a board of directors appointed by the Principal Chief of the Nation and confirmed by the Cherokee Nation Tribal Council. CNB is included in the Nation's financial report as a discretely presented component unit. As of September 30, 2020, CNB reported the following blended component units:

Cherokee Nation Entertainment, LLC (CNE) — CNE is a tribal limited liability company organized under the laws of the Nation. The Nation conducts all of its gaming and entertainment activities through CNE and one of its blended component units, Will Rogers Downs, LLC. For reporting purposes, CNE

is included as a blended component unit of CNB which is a discretely presented component unit of the Nation. At September 30, 2020, CNE operates nine casinos, a horse racing facility with electronic gaming machines, two retail smoke shop facilities that include electronic gaming machines and other retail facilities including an additional smoke shop, a travel plaza that includes electronic games, a convenience store and a gift shop. CNE's gaming and entertainment operations include food and beverage venues, hotels, live entertainment venues, two 18-hole and one nine-hole golf courses. CNE is headquartered in Catoosa, Oklahoma.

CNE has three of its own blended component units. CNE is the sole member owning 100% of the component units. The Chief Executive Officer of CNE is the designated manager of the component units. The component units are included as blended component units in CNE's financial statements. Details of the blended component units are as follows:

Will Rogers Downs, LLC (WRD) — WRD is a tribal limited liability company in Claremore, Oklahoma organized under the laws of the Nation created to own and operate a horse racing and gaming facility and ancillary activities on nontribal lands near Claremore, Oklahoma. WRD is a 236-acre complex, which includes live horse racing, 250 electronic gaming machines, simulcast horse racing, a restaurant, a dance floor, a live entertainment stage and sites for recreational vehicles. The racetrack is one-mile long and the training track is one-half mile long. The complex includes 13 barns with 440 livestock stalls, a covered, open-air grandstand with seating capacity for 2,700 individuals, a 60,000 square foot grandstand building, a 32,000 square foot exposition building and indoor and outdoor arenas.

Cherry Springs Golf Club, Inc (CSGC) — CSGC is an Oklahoma corporation that owns and operates an 18-hole golf course in Tahlequah, Oklahoma, near the Tahlequah gaming facility.

Will Rogers Downs Disseminating, LLC (WRDD) — WRDD is a tribal limited liability company organized under the laws of the Nation created for the purpose of disseminating simulcast signals associated with horse racing and off-track betting.

Other CNB blended component units by business sector include:

Technology Sector

- Cherokee Nation Security & Defense, LLC (CNSD) is a tribal limited liability company created in 2009 that provides security and safety services to government and commercial clients. CNSD is headquartered in Tulsa.
- Cherokee Nation Strategic Programs, LLC (CNSP) is an Oklahoma limited liability company formed in 2014 to provide research and development, test and evaluation, information technology services, unmanned aircraft services and training and exercise management to government agencies. CNSP is headquartered in Tulsa.
- Cherokee Nation Defense Solutions, LLC (CNDS) is a tribal limited liability company created in 2008 that provides state-of-the-art critical site infrastructure protection and cybersecurity surveillance services to both government and commercial clients. CNDS is headquartered in Tulsa.
- Cherokee Services Group, LLC (CSG) is a tribal limited liability company established in 2005 that provides professional staffing and other professional services to the federal government and, to a lesser extent, commercial customers. CSG has received 8(a) certification from the

U.S. Small Business Administration. Headquartered in Tulsa, Oklahoma, CSG has a regional office in Fort Collins, Colorado and 22 additional offices nationwide.

- Cherokee Nation Technologies, LLC (CNT) is a tribal limited liability company that provides professional staffing and other professional services to the federal government and, to a lesser extent, commercial customers since 2009. The company is headquartered in Tulsa, Oklahoma, with a regional office in Fort Collins, Colorado and client locations nationwide.
- Cherokee Nation System Solutions, LLC (CNSS) is a tribal limited liability company formed in 2016 that provides professional staffing and other professional services to the federal government and commercial customers. CNSS is headquartered in Tulsa.
- Cherokee Strategic Solutions, LLC (CSS) is a tribal limited liability company setup in 2019 to provide full-service IT services, IT security, and other services to government agencies and commercial customers. CSS is headquartered in Catoosa.

Consulting Sector

- Cherokee Nation Government Solutions, LLC (CNGS) is a tribal limited liability company that provides professional/technical services and project support to government and commercial clients since 2011. With over 400 employees, CNGS locates specific candidates for rapid response requests in areas including science, engineering, construction, information technology, research and development, facilities management, program management and mission support. CNGS is headquartered in Tulsa.
- Cherokee Nation Management & Consulting, LLC (CNM&C) is a tribal limited liability company formed in 2013 and headquartered in Tulsa that provides program and project management solutions for government clients. CNM&C has expertise in a wide-range of technical disciplines including engineering, environmental, information and asset management, along with a variety of physical and life sciences.
- Cherokee Nation Mission Solutions, LLC (CNMS) is a tribal limited liability company that provides program management, facilities management, mission support and medical services primarily for government clients since its formation in 2013. CNMS delivers management and support for a variety of programs and projects ranging from medical studies, analysis, research, wellness, telemedicine and clinical operations. CNMS promptly provides cost effective staffing of clinical, administrative, technical, and scientific professionals. CNMS is headquartered in Tulsa.
- Cherokee Nation Support, Service, and Solutions, LLC (CN3S) is a tribal limited liability company that provides staffing services in the education industry as well as logistics and distribution for the aviation industry since 2012. CN3S is headquartered in Tulsa, Oklahoma.
- Cherokee Nation Federal Consulting, LLC (CNFC) was organized on January 1, 2018, as a tribal limited liability company to provide professional services and program management solutions to government clients. CNFC is headquartered in Tulsa, Oklahoma.
- Cherokee Nation Solutions Link, LLC (CNSL) was organized April 16, 2018, as a tribal limited liability company to provide consulting services to a broad list of government and commercial clients. CNSL is headquartered in Tulsa, Oklahoma.

Health Sciences Sector

- Cherokee Nation Assurance, LLC (CNA) is a tribal limited liability company that provides technology solutions specializing in delivering information technology, management consulting, program support and professional support services created in 2011. CNA's full scope of computer and technology related services include enterprise architecture, application development, database administration, systems administration, networking, security compliance, configuration management, infrastructure services, video surveillance, and access control and professional IT services. CNA is headquartered in Tulsa.
- Cherokee Nation Technology Solutions, LLC (CNTS) is a tribal limited liability company headquartered in Tulsa that provides professional/technical services and project support to government and commercial clients. CNTS specializes in locating hard to find candidates for rapid response requests throughout the country. It provides a tailored management approach for complex government programs and disciplines including information technology, science, engineering, construction, research and development, facilities management, program management and mission support. CNTS was moved from the Consulting Sector to the Health Sciences Sector in 2020.
- Cherokee Medical Services, LLC (CMS) is an Oklahoma limited liability company headquartered in Tulsa that provides employee staffing for the medical industry.
- Cherokee Nation Healthcare Services, LLC (CNHS, LLC) is a tribal limited liability company that provides employee staffing for the medical industry. CNHS, LLC is headquartered in Tulsa.
- Cherokee Insights, LLC (CNCI) formerly known as Cherokee Nation Diagnostic Innovations, LLC (CNDI) is a tribal limited liability company formed in 2015 to provide innovative medical device and related technology solutions to commercial healthcare providers. CNCI is headquartered in Tulsa.
- Cherokee Nation Integrated Health, LLC (CNIH) is a tribal limited liability company that provides healthcare consulting, technology, analytics, medical readiness and a full spectrum of mission critical support to government clients. CNIH is headquartered in Tulsa, Oklahoma.
- Cherokee Nation Operational Solutions, LLC (CNOS) is a tribal limited liability company that provides health IT, healthcare staffing, military medicine management and electronic health record (EHR) consulting. Additionally, it distributes office products and supplies on behalf of Staples. CNOS is based in Pryor, Oklahoma.
- White Dove, LLC (WD) is a tribal limited liability company formed in 2020 that provides health-related professional staffing and other services to the federal government. WD is headquartered in Catoosa, Oklahoma.

Construction Sector

- Cherokee Nation Construction Services, LLC (CNCS) is a tribal limited liability company formed in 2008 that provides construction-related services, including general contracting, oversight of construction projects and safety training. CNCS has offices in Tulsa, Oklahoma and Dover, Delaware.

- Cherokee Nation Environmental Solutions, LLC (CNES) is a tribal limited liability company that provides environmental services for both commercial and government clients formed in 2013. CNES is based in Tulsa, Oklahoma.
- Cherokee Nation Mechanical, LLC (CNM) is tribal limited liability company formed in 2016 to provide construction management and HVAC services primarily to commercial customers. CNM is based in Tulsa.
- Cherokee Nation Facilities Management, LLC (CNFM) is a tribal limited liability company headquartered in Tulsa that provides facilities management services to government and commercial clients and commercial customers was formed in 2013.
- Cherokee Nation Development Group, LLC (CNDG) is a tribal limited liability company that was formed in 2017 to provide construction management services to government clients. CNDG is headquartered in Catoosa, Oklahoma.
- Cherokee CRC, LLC (CCRC) is an Oklahoma limited liability company that provides construction-related activities, including general contracting and construction management. CCRC was formed in 2005 and is based in Tulsa, Oklahoma.

Engineering and Manufacturing Sector

- CND, LLC (CND) is an Oklahoma limited liability company formed in 2004 that provides production, distribution and assembly of electronic component parts and wiring systems primarily for commercial customers. CND is based in Stilwell, Oklahoma.
- Cherokee Nation Red Wing, LLC (CNRW) is a tribal limited liability company that provides kitting, manufacturing and program management for various cable, wire, panel, box, avionics and engine assemblies primarily for commercial customers. CNRW was acquired in February 2009 and reorganized as a limited liability company. CNRW operates out of 15,000+ square feet of expandable manufacturing space on seven acres in Pryor, Oklahoma as well as a presence in Tulsa.
 - CNRW also holds a 51% investment interest in Echota Defense Services (EDS) and accounts for its investment using the equity method of accounting. At September 30, 2020, CNRW had an interest in EDS of \$129,000. Under the equity method of accounting, CNRW recognized income from this investment totaling \$129,000.
- Cherokee Nation Armored Solutions, LLC (CNAS) is a tribal limited liability company that provides technical support services for the development, advancement, application and improvement of technology, processes and systems lifecycle support. CNAS operates out of 20,000+ square feet of expandable machining space on seven acres in Pryor, Oklahoma.
- Cherokee Nation Aerospace & Defense, LLC (CNAD) is a tribal limited liability company based in Stilwell, Oklahoma that manufactures and integrates electromechanical assemblies primarily for commercial customers since its formation in 2008.
- Cherokee Nation Industries, LLC (CNI) is a tribal limited liability company that is a value-added reseller providing end-to-end distribution services and warehousing for some of the world's largest businesses in the telecommunications and electronics industry. CNI was established in 1969 to meet the need for business development and to generate revenue which helps the Nation and its citizens move toward economic self-sufficiency. CNI is headquartered

in Stilwell, Oklahoma. CNI moved from what had been considered a separate business sector, the Logistics and Distribution Sector, to the Engineering and Manufacturing Sector in 2020.

Other CNB Companies

- Cherokee Nation Property Management, LLC (CNPM) is a tribal limited liability company that conducts real estate acquisitions and development for CNB. CNPM was formed in 2010 and is headquartered in Catoosa, Oklahoma.
- Cherokee Nation Construction Resources, LLC (CNCR) is a tribal limited liability company that constructs healthcare facilities for the Nation as well as single-family homes. CNCR is headquartered in Tulsa, Oklahoma and was formed in 2013.
- Cherokee Nation Hospitality Consulting, LLC (CNHC) is a tribal limited liability company formed in 2015 that provides gaming and hospitality as well as casino management services. CNHC is headquartered in Catoosa, Oklahoma.
- Cherokee Nation Blue Ribbon Downs Training, LLC (BRDT) is a tribal limited liability company formed in 2015 to provide management of a horse racing training facility in Sallisaw, Oklahoma.
- CNB, through its affiliates, Cherokee Nation Management Corporation (CNMC), an Oklahoma corporation, and CNB Economic Development Company, LLC (EDC), an Oklahoma limited liability company, participates in the New Market Tax Credit (NMTC) Program established by Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. Under the NMTC Program, CNB was allocated the authority to issue \$60,000,000 of qualified equity investments (QEI), which are funded through investments and loans from third parties. Third parties providing equity investments for the QEIs receive the right to claim as a tax credit against their federal income tax, over a period of seven years, NMTCs equivalent to a total of 39% of the total QEI (including loaned funds). As of September 30, 2020, \$60,000,000 of the allocation had been sub-allocated to eligible projects and activity continues on several projects within these companies.
- CNB also holds an investment interest in Aerospace Products S.E., Inc. (APSE), as follows:
 - APSE was formed in 1987 in Huntsville, Alabama and is a distributor of aerospace fasteners and a provider of supply chain services. CNB owns 75% of the stock of APSE and accounts for its investment in APSE using the equity method of accounting. During the year ended September 30, 2020, CNB recognized losses from APSE totaling \$393,000 and received no distributions. CNB's investment in APSE at September 30, 2020 was \$3,343,000.

CNB, CNE, WRD and APSE all issue separate stand-alone financial statements.

Housing Authority of the Cherokee Nation of Oklahoma (HACN) — HACN was created under the provisions of the laws of the State of Oklahoma and provides affordable housing and other services to low income Native Americans within the boundaries of the Nation. The Commissioners of the Housing Authority are nominated by the Principal Chief and confirmed by the Tribal Council of the Cherokee Nation. HACN is included in the Nation's financial report as a discretely presented component unit. Separately issued financial statements for HACN may be obtained from HACN's corporate office. HACN has the following component unit:

Cherokee Affordable Housing, Inc. (CAH) — CAH is a non-profit 501(c)3 corporation organized under the laws of the State of Oklahoma created primarily to serve as the eligible 501(c)3 entity required to fill the position of general partner in the low income housing tax credit partnerships and related projects that have been developed by the HACN and a third party developer. The projects comprise 155 housing units and are managed by outside parties under management agreements as provided by the partnership agreements. CAH's financial activity is limited only to its role in the tax credit partnerships. The board of directors for CAH consists of the same board members of HACN. The president for CAH is the executive director of HACN. CAH is included as a blended component unit in the HACN's financial statements.

Cherokee Nation Comprehensive Care Agency (CNCCA) — CNCCA, a tribal governmental agency, was created to facilitate various Nation healthcare initiatives including the facilitation of joint ventures and other business related health activities. CNCCA is managed through a board of directors appointed by the Principal Chief and confirmed by the Tribal Council. CNCCA is included in the Nation's financial report as a discretely presented component unit. Separately issued financial statements for CNCCA may be obtained from CNCCA's office. CNCCA currently has one initiative, which is the Program of All-Inclusive Care for the Elderly (PACE).

Program of All-Inclusive Care for the Elderly (PACE) — PACE features a comprehensive medical and social service delivery system using an interdisciplinary team approach in an adult day care center that is supplemented by in-home and referral services in accordance with participants' needs. The program is administered by CNCCA dba Cherokee Elder Care (CEC) within the reservation. The PACE program is financed primarily by Medicare and Medicaid.

Cherokee Nation Home Health Services, Inc. (CNHHS) — CNHHS, a tribal corporation, was organized for the purpose of engaging in home healthcare services. CNHHS is a discretely presented component unit of the Nation. Board members of CNHHS are appointed by the Nation's Principal Chief and approved by the Nation's Tribal Council. CNHHS is included in the Nation's financial report as a discretely presented component unit. CNHHS primarily earns revenues by providing home health, hospice and other services to residents of Adair, Cherokee, Delaware, Mayes, Muskogee, Sequoyah and Wagoner counties, Oklahoma, and the surrounding area. Separately issued financial statements for CNHHS may be obtained from CNHHS's corporate office.

Cherokee Health Partners, LLC (CHP) — CNCCA and the Tahlequah Hospital Authority (THA), an unrelated entity, entered into an agreement on September 28, 2004, to create CHP which was 51% owned by CNCCA. CHP provides cardiac and other imaging services to residents of Tahlequah, Oklahoma and the surrounding area and is located in the Northeastern Health System. On May 12, 2014, CNCCA transferred their ownership to the Nation. The Managers selected by the Class Member A, the Nation, are appointed by the Principal Chief and confirmed by the Tribal Council. CHP is included in the Nation's financial report as a discretely presented component unit. During 2015, CHP purchased a 95% ownership in the Northeast Oklahoma Heart Center, LLC (NOHC). NOHC is a limited liability company organized under the Oklahoma Limited Liability Act in July 2005. NOHC provides cardiovascular management services to the THA. As a result of the ownership interest acquired, the operations of NOHC have been included in the accompanying financial statements. All information included in the Nation's financial statements for CHP is as of and for the fiscal period ended June 30, 2020. Separately issued financial statements for CHP may be obtained from CHP's office. CHP directly holds a joint venture interest in Northeastern Oklahoma Diagnostics, LLC as described as follows:

Northeastern Oklahoma Diagnostics, LLC (NOD) — NOD, formerly Tahlequah Diagnostic Imaging, LLC, was established in December 2002, to provide MRI, CT, hyperbarics and other imaging equipment previously provided by the THA. In its general appeal to capture all the business formerly provided by

the THA, NOD solicits to serve everyone in the community. CHP has a 20% ownership in NOD. CHP accounts for its joint venture investment in NOD using the equity method of accounting. CHP has recognized its proportionate share of NOD's earnings of approximately \$27,000, net of distributions of approximately \$106,000 for the joint venture at June 30, 2020. CHPS's investment in NOD at June 30, 2020 was \$421,000.

Cherokee Nation Foundation (CNF) — CNF, formerly doing business as Cherokee Nation Education Corporation was incorporated in 1998, as a nonprofit corporation under Title 18 of the Cherokee Nation Code Annotated and has been granted tax-exempt status under Section 501(c)3 of the Internal Revenue Code. CNF is organized exclusively for charitable and educational purposes to encourage and promote educational opportunities to enrolled adult and minor citizens of the Nation and any other federally recognized tribe, to promote and preserve the Cherokee language, culture and history of the Cherokee people, and to make distributions to corporations and individuals or on behalf of community groups. The board of directors and the Executive Director conducts a search for board members who have experience reflective of the mission of the organization. Once the board has approved a potential candidate to the board of directors, the nomination is submitted to the Principal Chief and then Tribal Council for approval. CNF is included in the Nation's financial report as a discretely presented component unit. All information included in the Nation's financial statements for CNF is as of and for the fiscal period ended December 31, 2019. Separately issued financial statements for CNF may be obtained from CNF's corporate office.

Cherokee National Historical Society, Inc (CNHS) — CNHS is an educational, cultural and charitable membership nonprofit organization originally incorporated under the laws of the State of Oklahoma in 1963 and is recognized as a 501(c)3 nonprofit organization by the Internal Revenue Service (IRS). The mission of CNHS is to preserve, promote and teach Cherokee history and culture. CNHS operates a museum displaying Native American artifacts and other historical and cultural exhibits, and a historically recreated Cherokee Village. The Tsa-La-Gi complex and the principal offices are located in Park Hill, Oklahoma. CNHS is governed by a Board of Trustees comprised of not less than twelve (12) or more than thirty (30) voting members. The Committee on Board Management is responsible for the comprehensive and objective research for potential Board members and will recommend for nomination those candidates when there are openings on the Board. Nominations are subject to approval of voting members of the Board of Trustees at any regular or special meeting of the governing board. CNHS is included in the Nation's financial report as a discretely presented component unit. All information included in the Nation's financial statements for CNHS is as of and for the fiscal period ended December 31, 2019. Separately issued financial statements for CNHS may be obtained from CNHS's corporate office. Additionally, see Note 20 for additional information.

Beginning in fiscal year 2006, the Nation, CNE and CNHS entered into an operations management Memorandum of Agreement (MOA). This MOA is renewable on an annual basis upon agreement by the CNHS Board and the Nation. This event is discussed more fully in Note 18.

CHP, CNF and CNHS present their financial statements in accordance with Financial Accounting Standards Board (FASB) pronouncements. The financial statements for the discretely presented proprietary component units are presented as part of the accompanying basic financial statements. Selected disclosures for the discretely presented component units have been included in these notes to the basic financial statements.

Blended Component Unit

The Nation has one component unit whose operations are blended with the financial data of the primary government. There is no distinction between the data of the primary government and that of the component unit. The Nation's blended component unit is as shown on the following page:

Cherokee Nation Economic Development Trust Authority — The Economic Development Trust Authority (EDTA) is a Community Development Financial Institution, as certified by the U.S. Treasury Department. Cherokee Nation EDTA was created by Tribal Council Legislative Act 36-89 as a mechanism to promote economic development. Its mission is to provide opportunities for income generation through economic development, to provide loans for business creation/expansion, and to provide loans to qualified individuals whom have traditionally been denied through conventional lending sources. EDTA is a governmental organization created as a separate body whose Board of Directors is appointed by the Principal Chief and confirmed by the Tribal Council even though EDTA's governing board is not the same as the Tribal Council. The Nation has the ability to appoint, hire, reassign or dismiss the individuals responsible for management of the programs. EDTA almost exclusively benefits the Nation as its largest activity is the operation of an employee loan program for employees of the Nation and its component units. EDTA is presented as a proprietary fund in the accompanying financial statements.

Cherokee Nation law requires that all corporations, majority owned by the Nation, and incorporated under Cherokee Nation law pay a dividend based on net income. The dividend rate was 37% for fiscal year 2020. CNB's minimum dividend requirement is determined at the combined CNB reporting level which has been implemented as the higher of CNB's or any of CNB's Component Units' Net Income. Dividends paid to the Nation and other related party transactions are discussed further in Note 18.

Government-wide Financial Statements

The government-wide financial statements provide operational accountability information for the Nation as an economic unit. The government-wide financial statements report the government's ability to maintain service levels and continue to meet its obligations as they come due. The statements include all governmental activities and all business-type activities of the primary government and its component units. Fiduciary funds and fiduciary-type component units are omitted from the government-wide financial statements. The Nation currently has no fiduciary funds.

Fund Financial Statements

The accounts of the Nation are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity. The operations of each fund are accounted for within separate sets of self-balancing accounts, which comprise its assets, liabilities, fund balance/net position, revenues, expenditures/expenses, and transfers. The General Fund is always a major governmental fund. Other individual governmental and enterprise major funds are determined as funds whose revenues, expenditures/expenses, assets and deferred outflows of resources or liabilities and deferred inflows of resources are at least ten percent of the corresponding totals for all funds of that category or type (total governmental or total enterprise funds) and at least five percent of the corresponding total for all governmental and enterprise funds combined or funds designated as major at the discretion of the Nation. Funds not classified as a major fund are aggregated and presented in a single column in the fund financial statements. The Nation uses the following funds, grouped by fund type.

Governmental Funds

Governmental funds are those through which most governmental functions of the Nation are financed. The acquisition, use and balances of the Nation's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

General Fund

The General Fund represents the operating activities of the tribal government. All financial resources not accounted for in other funds are reported in the General Fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of government grants or other specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects of the Nation. The following are the Nation's major Special Revenue Funds:

Public Law 102-477 (PL 102-477) was enacted to facilitate the ability of Indian tribes to integrate the employment, training and related services from federal sources in order to improve the effectiveness of those services and reduce unemployment. Funding for this program comes from the Department of the Interior, the Department of Labor, the Department of Education and the Department of Health and Human Services. The law, as amended in 2017, authorizes Tribal governments to consolidate programs from 12 Federal agencies that concern employment and training into a single plan which is approved by the Secretary of the Interior. These expenditures are generally presented as either education services or human services expenditures in the accompanying financial statements.

Department of Transportation was established to account for federal funds received from the Federal Highway Administration (FHWA), for and on behalf of the United States Department of Transportation (DOT), for use in the planning, designing, constructing and maintaining highways, roads, bridges or transit facility programs. Roads constructed with DOT funds are not capitalized by the Nation as they are transferred to other governmental agencies upon completion. These expenditures are generally presented as community services expenditures in the accompanying financial statements.

Self Governance DHHS was established to account for federal funds received under the Nation's Self Governance compact with the United States Department of Health and Human Services (DHHS). These funds are used to administer a number of programs under Indian Health Service (IHS) relating to health and human services including the operation of the Cherokee Nation W.W. Hastings Hospital (Hospital) in Tahlequah, Oklahoma and ten clinics located in various communities throughout the Nation's reservation boundaries. These expenditures are generally presented as health or community services expenditures in the accompanying financial statements.

Coronavirus Relief Fund was established to account for federal funds received from the Department of the Treasury as part of the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136) passed and signed into law by the President on March 27, 2020 to respond to the COVID-19 (i.e., coronavirus disease 2019) outbreak and its impact on the economy, public health, state and local governments, individuals, and businesses. These expenditures are presented as tribal government, health services, education services, human services and community services expenditures in the accompanying financial statements.

Capital Projects Funds

Capital Projects Funds are used to report resources that are restricted, committed or assigned to expenditures for major capital acquisition and construction separately from ongoing operational activities. The Nation has no major capital projects fund and one nonmajor capital projects fund, its Capital Projects Fund.

Debt Service Funds

Debt Service Funds are used to account for and report resources that are restricted, committed or assigned to expenditures for principal and interest. The Nation has no debt service funds.

Permanent Funds

Permanent funds are used to report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes supporting the Nation's programs. The Nation's nonmajor Permanent Funds contain two endowments, both of which allow the expenditure of income for tuition and educational purposes, with the principal being unavailable for disbursement. The trust agreements state the distributions

of income shall go to individuals one-quarter or more of Cherokee blood quantum. All fund balances from the endowments are either nonspendable or restricted.

The Sequoyah Endowment was established in fiscal year 1991 by the Louise K. Green-Matthews Grant in Environmental Science in the amount of \$134,000. It was established to foster and encourage Cherokee students of at least one-quarter blood quantum to engage in obtaining a graduate education in Environmental Science or Natural Sciences. The income from the trust is available to provide one to two grants annually. The amount of net appreciation on the investment of the Sequoyah Endowment is \$88,000 which is the available amount reflected in the fund balance.

The Glenn and Faye Gammon Education Trust was established in fiscal year 2001 by a willed contribution of \$291,000 to provide Cherokee higher education scholarships. In accordance with the will, income from the trust is used to provide tuition and related educational, travel and living expenses for Cherokee students with a blood quantum of one-quarter or more. The amount of net appreciation on the investment of the Gammon Education Trust is \$13,000 which is the available amount reflected in the fund balance.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and nonmajor funds aggregated. A reconciliation is presented to summarize the differences in fund balances of the governmental fund financial statements and the net position of the governmental activities in the government-wide financial statements. These differences are further explained in Note 2 to the basic financial statements.

Proprietary Funds

Proprietary funds are used to account for the Nation's ongoing operations and activities which are similar to those often found in the private sector where the intent is that costs of providing goods and services be recovered through user charges. The proprietary funds maintained by the Nation are enterprise funds and internal service funds.

The enterprise funds are proprietary funds that are used to report activities for which a fee is charged to external users. The Nation accounts for its Tsa-La-Gi Apartments, CN Sanitary Landfill, and Economic Development Trust Authority (EDTA) activities in these funds. The Nation has no major enterprise funds.

Internal service funds are used to report activities which provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The Nation includes services such as internal leases, fringe pool, and indirect cost pool in these funds. Substantially all of the internal service funds' net position and activities are combined with the governmental activities in the government-wide financial statements. The indirect cost pool had a net position deficit of \$1,375,000 at September 30, 2020. Note disclosures for governmental activities also include related amounts for the internal service funds. The Nation has no major internal service funds.

See pages 37 - 44 for descriptions of discretely presented component units.

Enterprise and internal service fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows. The enterprise fund financial information is presented under the business-type activities columns. A column representing internal service funds is also presented in these statements, with the majority of the internal service funds' net position and activities combined with the governmental activities in the government-wide financial statements.

Measurement Focus

The measurement focus determines the accounting and financial reporting treatment applied to a fund. The governmental and business-type activities within the government-wide Statement of Net Position and Statement of Activities are presented using the economic resources measurement focus. The economic resources measurement focus meets the accounting objectives of determining change in net position, net position, and cash flows.

The fund financial statements use either the current financial resources measurement focus or the economic resources measurement focus as appropriate. Governmental funds use the current financial resources measurement focus. This measurement focus is based upon the receipt and disbursement of current available financial resources rather than upon net income. The measurement focus of the proprietary fund types, the flow of economic resources, is based upon determination of change in net position, net position and cash flows.

Basis of Accounting

The accrual basis of accounting is used throughout the government-wide financial statements; conversely, the financial statements of the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds and Permanent Funds have been prepared in accordance with the modified accrual basis of accounting, whereby revenues are recognized when considered both measurable and available to finance expenditures of the current period. The Nation accrues intergovernmental, property rentals, dividends, and tax revenues based upon this concept. Expenditures are generally recognized when the related fund liabilities are incurred and become payable in the current period. Proceeds of debt are reported as other financing sources, and principal and interest on long-term debt are recorded as expenditures when paid.

The financial statements of the Enterprise Funds, Internal Service Funds, and the proprietary component units have been prepared in accordance with the accrual basis of accounting. Accordingly, revenues are recorded when earned, and expenses and related liabilities are recorded when incurred.

Accounting Policies

The Nation's significant accounting policies related to the following basic financial statement categories are summarized below:

Cash and Cash Equivalents

The Nation considers all highly liquid investments in debt securities with maturities of ninety (90) days or less when purchased to be cash equivalents. A "pooled cash" concept is used in maintaining certain cash accounts in the accounting records. Under this method, cash is pooled and each fund participating in the pool has equity in the pooled amount. Pooled cash accounts consist principally of interest-bearing and non-interest-bearing demand deposit accounts.

Restricted Cash, Cash Equivalents and Investments

Amounts represent certain bank account and investment balances restricted for specific purposes as described in Note 3.

Investments

The Nation reports its investments at fair value, in accordance with GASB Statement No. 72. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Receivables

Amounts represent revenue recognized but not yet received in the current period. Receivables are presented in the Statement of Net Position/Balance Sheet at net realizable value.

Inventories

Inventories of governmental funds are recorded at cost as expenditures when purchased rather than when consumed except as noted:

The Nation, through its participation with the Indian Health Service National Supply Service Center (NSSC), maintains an inventory of pharmaceutical drugs received from the DHHS. The value of the pharmaceuticals and supplies are reflected as an asset in the Nation's financial statements.

The Nation maintains an inventory of the food for disbursement by Cherokee Nation's Food Distribution program, one of the nonmajor governmental funds. Food acquisitions are initially recorded as inventory and as unearned revenue and are charged to expenditures as used, using the First In, First Out (FIFO) method. Food inventories are valued at the cost assigned to such food items by the granting agency.

CNB's inventories are stated at the lower of cost or market and consist primarily of raw materials and manufactured products, food and beverage items, gaming supplies, hotel supplies, smoke shop, convenience store, golf pro shop, and gift shop inventory. Costs of raw materials and manufactured products are determined using the specific identification method. Inventories are evaluated periodically, and reserves are established as needed to provide for reduced values attributed to slow moving and/or obsolete inventories. Costs of other inventories are determined by an average cost method. The average cost method used is not considered to be significantly different from the FIFO method.

As a result of the operation of the Title VI Loan program, the HACN had authorized to be built or acquired a number of homes in various locations in anticipation of the expected demand for the homes as well as homes for specific homebuyers in accordance with an agreement with them. As of September 30, 2020, these homes and related infrastructure are awaiting transfer of title to the HACN. Until the official transfer is made, the net book value of the homes, in the amount of \$1,202,000 is classified by the Nation as capital assets, depreciable, net in the government-wide statement of net position.

Other Current Assets

Amounts represent prepayments for supplies, pharmaceuticals and other expenditures.

Derivative Instruments

Derivative instruments are complex financial arrangements used to manage specific risks or to make investments and are measured at fair value in the government-wide statement of net position. During fiscal year 2016, the Nation entered into an interest rate swap agreement (derivative instrument) with a financial institution. See Note 10 for additional information concerning this interest rate swap agreement.

Equity Interests in Component Units

The Nation records its equity interests in component units that exist to enhance the government's ability to provide governmental services in accordance with GASB Statement No. 61, as amended by GASB Statement No. 90. As of September 30, 2020, the Nation held an equity interest in its component units of CNB, CNHHS and CHP totaling \$909,844,000 which reflected a decrease from the prior year of \$20,788,000. Since the equity interest held by the Nation in these component units are not attributable to specific programmatic activities, decreases each year are presented as indirect expenses and increases are presented as charges for services, separately, from other programs of the Nation in the government-wide statement of activities. Detailed financial statements for the entities can be found on pages 34 and 35.

Capital Assets

The Nation's accounting policies regarding capital assets such as land improvements, buildings, vehicles and equipment are that these assets, with an initial cost of \$5,000 or more, are to be capitalized and depreciated over their estimated useful lives. Purchased or constructed capital assets are valued at historical

cost or estimated historical cost. Donated capital assets, donated works of art and similar items are recorded at acquisition value. Title to certain property and buildings utilized by the Nation, such as Sequoyah High School, the Child Care Development Center, and other land is held by the federal government. Therefore, such assets are not reflected as capital assets in the accompanying financial statements. The Nation has chosen the straight-line depreciation method for its capital assets based on the estimated useful lives of the capital assets as follows:

<u>Class of Asset</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20-50 years
Equipment	3-20 years
Land Improvements	30 years

The Cherokee Nation has the ability to request that land owned by the Nation and its component units be placed into trust status with the United States of America in Trust for the Cherokee Nation (trust status). If land is accepted into trust status, the Nation and its component units have the ability to continue using the property. When land is placed into trust status, the title to the property is transferred to the Federal Government. Under GAAP, this land is removed from the books of the Nation or its component units since the Nation no longer has title to the land. At September 30, 2020, there were various parcels of land owned by the Nation and its component units that the Nation has requested to be placed into trust status. The cost basis of this land will be written off by the Nation when, and if, the property is accepted into trust status.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, provides for a two-step process of identifying potential impairments and testing for impairment. Asset impairment, as defined by GASB Statement No. 42, is a significant, unexpected decline in the service utility of a capital asset. The service utility of a capital asset is the usable capacity that at acquisition was expected to be used to provide service, as distinguished from the level of utilization, which is the portion of the usable capacity currently being used. The events or changes in circumstances that lead to impairments are not considered normal and ordinary. At the time the capital asset was acquired, the event or change in circumstances would not have been expected to occur during the useful life of the capital asset.

The Cherokee Nation and its component units evaluate capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset that has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation will be decreased proportionately such that the net decrease equals the impairment loss. There were no asset impairments recognized during the year ended September 30, 2020.

Intangible Assets

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets, including recognition, initial measurement and amortization. CNE applied the provisions of GASB Statement No. 51 to the Hard Rock licensing agreement it entered into during fiscal year 2009 which resulted in the recognition of an intangible asset, which is reflected as a component of capital assets, depreciable, net in the accompanying financial statements. See Note 19 for additional information concerning the Hard Rock licensing agreement. Intangible assets are stated at amortized cost. Amortization is computed using the straight-line method over the contractual life of the asset.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents

a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Nation has one item that qualifies for reporting in this category, which is the accumulated decrease in fair value of a hedging derivative. The accumulated decrease in fair value of the hedging derivative results from the interest rate swap agreement having a negative fair value of \$8,985,000, at September 30, 2020. More information can be found in Note 10.

There are also items reported as deferred outflows of resources in the Combining Statement of Net Position – Component Units of goodwill attributed to prior year business acquisitions. One item, attributable to prior year CNB business acquisitions, will be amortized over the estimated period that goodwill is expected to provide a benefit. At September 30, 2020, the estimated remaining life of this item ranges from four to five years. CHP reports deferred outflows of resources of approximately \$1,527,000 attributed to a prior business acquisition. In accordance with FASB Accounting Standards Codification 805-30, on an annual basis and at interim periods when circumstances require, CHP tests the recovery of its goodwill and recognizes an impairment loss for the amount by which the carrying amount of goodwill exceeds its fair value. There was no impairment loss recognized in 2020. Also included in deferred outflows of resources in 2020, is the purchase of rights to various subcontracts that have future revenues associated with them. This item will be amortized over the next one to four years, depending on the contract.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Nation has one item that qualifies for reporting in this category which is the unavailable revenues attributable to notes receivables issued to eligible tribal citizens and are reported in the Balance Sheet – Governmental Funds.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

Unearned Revenues

The Nation is the recipient of grants from several different federal and state agencies. In some instances, the grants are advance funded before eligibility requirements are met (excluding time requirements). The Nation records these grants as unearned revenue until the funds are expended in accordance with the grant terms.

Landfill Closure and Postclosure Care Costs

The Nation, based on the cumulative amount of used capacity, accrues the currently estimated liability for closure and postclosure care costs for the Nation's landfill. Such estimated costs include expected equipment and facility costs, costs of the final cover and postclosure care. The liability recorded by the Nation at September 30, 2020 is based on what it would cost to perform all closure and postclosure care in 2020.

Taxes

The Nation is exempt from federal and state income taxes; consequently, no provision for income taxes is included in the accompanying financial statements for any fund.

Tsa-La-Gi Apartments are registered as tribal lands held in trust. As such, it is exempt from the payment of city and county property taxes.

CNE, a blended component unit of CNB, pays a gaming tax based on certain gross revenues pursuant to provisions of the National Indian Gaming Regulatory Act. Amounts owed under the gaming tax are paid to the National Indian Gaming Commission (NIGC) on a quarterly basis and have been reflected within operating expenses in the Combining Statement of Revenues, Expenses and Changes in Net Position – Component Units. Total payments for fiscal year 2020 were approximately \$318,000.

Compensated Absences

Vacation leave for the primary government is granted to all permanent full-time and eligible part-time employees. The annual amount of vacation time accrued varies, depending upon years of service, from 13 to 26 days for permanent full-time employees and from 6.5 to 13 days for permanent part-time employees. The maximum amount of vacation that may be accumulated and carried over to the following year is 30 days. Accumulated vacation leave vests, and the Nation is obligated to make payment, even if the employee terminates. Compensated absence liabilities are computed using the regular pay rates in effect at the Statement of Net Position date plus an additional amount for compensation-related payments such as social security and medicare taxes compiled using rates in effect at that date.

On the governmental funds statements, compensated absences are only accrued if the obligation has matured, in other words, the obligation becomes due and payable because of employee resignation, employer buy back or employee retirement. Upon request from the employee and approval by the supervisor and Human Resources, the Cherokee Nation annually buys back designated amounts of accrued annual leave from Regular/Full Time and Regular/Part Time employees, subject to restrictions based on funding agency guidelines as well as fund availability. In fiscal year 2020, the Cherokee Nation bought back \$2,974,000 of accrued annual leave.

Net Position Classifications

Government-wide Statements — Equity is classified as net position and displayed in three components:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of net position with constraints placed on the use either by external groups, such as grantors, creditors and external board of directors, or laws and regulations of other governments, or law through Tribal constitutional provisions or enabling legislation. The Nation classifies the equity interests in component units within this category as the operations of these entities are governed by separate, external boards of directors. It is the Nation’s policy to use restricted net position prior to the use of unrestricted net position when both restricted and unrestricted net position are available for an expense which has been incurred.

Unrestricted net position consists of all other assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements — Governmental fund equity is classified as fund balance. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily upon the extent to which the Nation is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories and their purposes are:

Nonspendable includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints, including inventories, prepaid assets and the corpus of permanent funds.

Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors, donors, creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal legislative action of the Tribal Council and do not lapse at year end. A committed fund balance constraint can only be established, modified or rescinded by passage of a Legislative Act (Law) by the Tribal Council.

Assigned includes fund balance amounts that are constrained by the Nation's intent to be used for specific purposes, that are neither restricted nor committed. The assignment of fund balance is authorized by a directive from the Nation's Treasurer or approval of Tribal Council Resolution.

Unassigned includes fund balance amounts within the General Fund which have not been classified within the above mentioned categories. The General Fund is the only fund that reports a positive unassigned fund balance amount.

It is the Nation's policy to use restricted amounts first when both restricted and unrestricted fund balance is available unless prohibited by legal or contractual provisions. Additionally, the Nation uses committed, assigned, and lastly unassigned amounts of fund balance in that order when expenditures are made.

Revenue Recognition

The Nation considers revenue to be susceptible to accrual in the governmental funds as it becomes measurable and available, as defined under the modified accrual basis of accounting. The Nation generally defines the availability period for revenue recognition as received within the reporting period or within ninety (90) days after year end. The Nation's major revenue sources that meet this availability criterion are tax revenues and required dividends paid by component units.

Program Revenues

There are three classifications of programmatic revenues for the Nation, program specific grant and contributions revenue (operating and capital) and charges for services. Grant revenues are revenues from federal, state, and private grants. These revenues are recognized when all applicable eligibility requirements are met and are reported as intergovernmental revenues. The primary source of charges for services is earned income in connection with the operation of the Nation's W.W. Hastings Hospital, clinics and other health-related services, which are funded by the Department of Health and Human Services (DHHS) Self Governance Compact. Under the provisions of the Self Governance Agreement with DHHS, the Nation is required to expend this program income for purposes similar to those funded by the basic DHHS Self Governance Compact. There are no specific requirements designating when or in what order program and other self governance funds should be spent. Program income earned from clinic and other health-related services in the form of third party billed revenue during the year ended September 30, 2020 was \$152,109,000.

Grants and contributions not restricted to specific programs

In the government-wide Statement of Activities, the Nation's Self Governance DOI compact is reported as General Revenues because under this compact the Nation has discretion in the application of these funds to various programs/functions administered under the general provisions of the compact.

Operating and Nonoperating Revenues and Expenses

In the Proprietary Funds and component units, operating revenues are those revenues produced as a result of providing services and producing and delivering goods, including all interest income on loan transactions and other events. Nonoperating revenues are funds primarily provided by investing activities, such as

financial institution interest income, gains on disposal of assets and insurance recoveries on property loss. Operating expenses are those expenses related to the production of revenue. Nonoperating expenses are those expenses not directly related to the production of revenue, and include items such as interest expense and losses on disposal of assets.

Interest Income

Interest income is recorded as earned in the fund holding the interest bearing asset.

Interest Income - Self Governance Compacts

The Nation receives certain amounts of advance funding as a self governance compact tribe in three large self governance compacts with the DOI and DHHS. These funds are invested in interest earning assets until the funds are expended under the terms of the self governance compacts. The Nation need not refund the interest earnings under these compacts and is not directly accountable to the DOI or the DHHS for the expenditure of these interest earnings. The discretionary interest is recorded in the Self Governance funds but is allocated to other programmatic expenditures through the budgeting process.

Interest Income - Grants

The Nation receives certain amounts of advance funding in connection with five large grants: (1) NAHASDA, funded by the Department of Housing and Urban Development (HUD), (2) the Sequoyah High School Grant, which is funded by the DOI and the Department of Education, (3) the Department of Transportation, funded through the FHWA for and on the behalf of the DOT, (4) PL 102-477 which is funded by the Department of Labor (DOL) and the DHHS through the DOI and (5) Coronavirus Relief Funds, funded through the Department of the Treasury. The applicable legislation and regulations for each grant authorize the earning of interest on advance payments; the use of which is governed by the same.

Internal Activities

The Nation's policy for eliminating internal activities in the government-wide Statement of Activities is the look-back approach. This method prescribes that the internal service funds operate on a breakeven basis. The net profit or loss on an internal service fund is to be allocated to the government's programs/departments that benefited from the goods or services provided based on their proportionate benefit.

Indirect Costs

The government-wide Statement of Activities does not use a separate column to identify allocated indirect costs since the allocation is automatically calculated. Indirect costs are included in the program operating expenses reported for individual functions and activities in the fund statements.

The Nation's indirect cost plan utilizes a fixed rate with carryforward. To the extent that actual indirect cost expenses differ materially from indirect cost recoveries, the difference is recorded as a liability (overrecovered) or an asset (underrecovered) and reversed in the period the difference is used to adjust the indirect cost rate.

Budgets and Budgetary Accounting Policies

Title 62, §31-32 provides the legal level of budgetary control for the Cherokee Nation. The Executive and Finance Committee of the Council, upon direction of the Treasurer and with advisement from the Controller, shall formulate an annual appropriations bill. The bill shall contain the legal budgeted annual revenue and expenditures/expenses for the general fund and enterprise funds for the executive, legislative, and judicial branches of government. The functional level (e.g. health services) is used for reporting the legal level of budgetary control. The sources of revenue may be based upon estimates. The budgeted expenditures/expenses for these funds shall not exceed total estimated revenues and beginning fund balance and net position. The Executive and Finance Committee of the Council, upon direction of the Treasurer

and with advisement from the Controller, shall be responsible for proposing amendments to the annual appropriations law based upon material changes in real or estimated revenues and expenditures/expenses that affect the total amounts budgeted. Management budgets are developed at the accounting unit level. Any amendments to the annual appropriations bill shall be presented to the full Tribal Council for consideration and passage. Any funds received by the Cherokee Nation, the use of which is determined by the granting or contracting agency (special revenue funds) shall be used only for those purposes and under those conditions for which the funds are made available and such funds are not subject to legal appropriation by the Tribal Council.

The basic financial statements contain a budget and actual comparative statement for the General Fund, a legally budgeted fund. A budgetary statement for Enterprise Funds, which are also legally budgeted, is included in the budgetary information section of Other Supplementary Information.

Budgets for the Nation are prepared on the same basis of accounting as the financial reports; therefore, no reconciliation is necessary.

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reported period. Actual results could differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Below is an explanation of certain differences between the governmental funds balance sheet and the government-wide Statement of Net Position:

The governmental funds balance sheet includes a reconciliation of total fund balances of the governmental funds to the total net position of the governmental activities in the Statement of Net Position. One element of that reconciliation explains that “capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of this \$389,576,000 capital assets used in governmental activities are as follows (dollars in thousands):

Capital assets, net	\$ 413,643
Less: Internal service fund capital assets	<u>(24,067)</u>
Capital assets used in governmental activities	<u>\$ 389,576</u>

Another element of the reconciliation is the amount of \$1,372,000 which states “Assets recorded in government-wide financial statements that are not available to pay for current period expenditures, therefore, are unavailable and not recorded in the funds.” The details of this difference are shown below (dollars in thousands):

Notes receivable, net - Self Help Housing	<u>\$ 1,372</u>
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Additionally, an element of that reconciliation explains “Liabilities that are not due and payable in the current period and, therefore, not reported in the funds.” The details of this \$156,778,000 difference are as follows on the next page (dollars in thousands):

Long-term debt	<u>\$ (156,778)</u>
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A reconciliation of the net change in fund balances – total governmental funds reported in the statement of revenues, expenditures, and changes in fund balances for the governmental funds to the change in net position of governmental activities reported in the Statement of Activities is presented in the accompanying basic financial statements.

One element of this reconciliation explains “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.” The details of this \$23,387,000 difference are as follows (dollars in thousands):

Capital expenditures in governmental funds capitalized on government-wide financial statements	\$ 40,256
Depreciation expense	<u>(16,869)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 23,387</u>

Some expenses are reported in the Statement of Activities when incurred and presented as expenditures in the governmental funds when paid. The details of this \$1,379,000 difference are as shown below (dollars in thousands):

Additional capital outlay expense and loss on disposal	\$ 1,864
Other	<u>(485)</u>
Net adjustment to decrease changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,379</u>

3. DEPOSITS AND INVESTMENTS

Deposits

During 2015, the Nation enacted Legislative Act (LA) 14-15 known as the “Financial Security and Stability Act of 2015” amending LA13-85 relating to the deposit and investment of funds. This legislative act defined financial institutions and financial instruments. A financial institution shall be an entity or depository whose primary business and function focuses on dealing with financial services and transactions, such as investments, loans and deposits. A financial institution shall include Federal Deposit Insurance Corporation (FDIC) insured banks, National Credit Union Association (NCUA) insured credit unions and other financial institutions whose activities are controlled or regulated by federal law and/or federal regulations or regulators, including but not limited to the U.S. Securities and Exchange Commission. A financial instrument shall be any negotiable asset or instrument with monetary value. Allowable financial instruments shall include, but not be limited to, Demand Deposits, Certificates of Deposit, Certificates of Deposit Account Registry (CDARS), Insured Cash Sweeps (ICS), Savings Accounts, repurchase/reverse repurchase agreements, U.S. Treasuries and U.S. government securities and those issued by its agencies and instrumentalities, and Institutional Money Market Funds whereby those funds are comprised of a majority of allowable financial instruments as described above.

In December 2017, the Nation enacted LA 35-17 establishing the Cherokee Nation Sovereign Wealth Fund (CNSWF). The two largest funds within the CNSWF are the Education Reserve and the Emergency Reserve. Intended to provide financial security in the event of unforeseen future issues, these reserve funds will be invested for growth purposes under the direction of the Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the Nation's deposits may not be returned. No funds under the control of the Nation shall be invested with any financial institution unless the financial institution is insured by the FDIC, NCUA and/or the financial institution's activities are controlled or regulated by federal law and/or federal regulations or regulators, including but not limited to the U.S. Securities and Exchange Commission. No funds in excess of current FDIC or NCUA insurance maximums shall be invested in a single financial institution unless said funds are collateralized either by and/or invested directly into obligations and/or bonds which contain an investment grade rating from a nationally recognized rating firm, such as Standard and Poor's, Moody's or Fitch, or local, state, U.S. Government securities, and those issued by its agencies and instrumentalities, and Nation securities. Collateralized funds shall be secured and pledged to the Nation via joint custody receipts for the full amount of said funds.

Deposits of the primary government are generally insured or covered by pledged collateral. At September 30, 2020, all deposits were insured or collateralized and held by various safe-keeping agents in the Nation's name. Component units' deposits of \$2,304,000 at September 30, 2020 were uninsured and uncollateralized.

Investments

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Nation has no formal policy relating to a specific investment-related risk; however, the Nation manages interest rate risk by maintaining a balance of highly liquid investments and a "ladder" approach to long-term investments. Funds are invested in blocks, normally of \$1,000,000 or greater, with maturities ranging from one to fifteen years. Any investment with a maturity date of over five years requires consent of the Executive and Finance Committee of the Council, with the exception of investments held by the U.S. Department of Interior's Office of Trust Fund Management (OTFM). Those investments are made based on the general investment strategy and guidance provided by the Nation.

CNB's investment policy restricts investment maturities to a period of five years or less. CNB and its component units' interest rate risk was minimized by the highly liquid nature of its money market investment accounts at September 30, 2020.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. While the Nation has no formal policy relating to the credit risk of investments the Nation's investments in U.S. agencies and commercial paper were rated either AAA or AA+ by Standard & Poor's, AAA by Fitch Ratings and Aaa by Moody's Investors Service. The Nation's and CNB's mutual fund bond investments were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Nation's investment in a single issuer. The Nation's investment policy does not specifically address concentration of credit risk. Of the total primary government's investments in U.S. government sponsored entities, \$4,774,000 or 31%, is invested in Federal Agricultural Mortgage Corporation (FAMCA) securities, \$4,284,000, or 27% is invested in Federal Farm Credit Banks (FFCB), and \$6,578,000, or 42%, is invested in Federal Home Loan Bank (FHLB) securities.

Investments Measured at Fair Value

The Nation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Nation has the following recurring fair value measurements as of September 30, 2020:

- U.S. Treasury securities of \$27,368,000 are valued using quoted market prices (Level 1 inputs).
- Money Market Trust funds of \$665,423,000 are valued using quoted market prices (Level 1 inputs).
- Repurchase agreements of \$3,598,000 are valued using quoted market prices (Level 1 inputs).
- U.S. Government sponsored entities of \$15,636,000 are valued using quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there is not sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publically. (Level 2 inputs).
- Interest rate swap agreements are valued at estimated fair value (Level 2 inputs). See Note 10, specifically under the Fair Value subheadings, for more information.

The component units have the following recurring fair value measurements as of September 30, 2020:

- Money market mutual funds of \$315,249,000 are valued using quoted market prices (Level 1 inputs).
- Mutual funds of \$1,704,000 are valued using quoted market prices (Level 1 inputs).
- Repurchase agreements of \$912,000 are valued using quoted market prices (Level 1 inputs).

Investments, categorized as to interest and credit risk, at September 30, 2020 were as follows (dollars in thousands):

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					<u>Credit Rating Moody's/S&P</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
Primary Government:						
U.S. Treasury Obligations	\$ 27,368	\$ 27,368	\$ -	\$ -	\$ -	
Money market trust funds	665,423	665,423	-	-	-	(1)
Repurchase agreements	3,598	3,598	-	-	-	N/R
U.S. Government sponsored entities	<u>15,636</u>	<u>-</u>	<u>894</u>	<u>5,910</u>	<u>8,832</u>	Aaa/AA+
Total Primary Government	<u>\$ 712,025</u>	<u>\$ 696,389</u>	<u>\$ 894</u>	<u>\$ 5,910</u>	<u>\$ 8,832</u>	
Component Units:						
Money market mutual funds	\$ 315,249	\$ 315,249	\$ -	\$ -	\$ -	AAA
Mutual funds	1,704	-	1,704	-	-	(2)
Repurchase agreement	<u>912</u>	<u>912</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAA
Total Component Units	<u>\$ 317,865</u>	<u>\$ 316,161</u>	<u>\$ 1,704</u>	<u>\$ -</u>	<u>\$ -</u>	

(1) The Money Market Trust Funds are comprised of U.S. Treasuries and Repurchase Agreements collateralized by U.S. Treasury obligations.

(2) While these Mutual funds do not have formal ratings, they are Governmental or Institutional type funds that are invested only in securities that have the highest short term rating from at least two nationally recognized statistical rating organizations (NRSRO's).

A reconciliation of the investments for the Primary Government presented on the previous page to the investments as presented in the Statement of Net Position as follows (dollars in thousands):

Investments as presented on previous page	\$ 712,025
Less U.S. Treasury obligations reported as Cash & Cash Equivalents	(27,368)
Less Money market trust fund and Repurchase agreements reported as Cash & Cash Equivalents & Investments	<u>(669,021)</u>
Total investments	<u>\$ 15,636</u>

A reconciliation of the unrestricted investments for the Component Units presented on the previous page to the unrestricted investments as presented in the Statement of Net Position as follows (dollars in thousands):

Investments as presented on previous page	\$ 317,865
Plus Certificates of Deposit reported as investments	3,635
Less Money market mutual funds and mutual funds reported as Cash Equivalents	<u>(315,652)</u>
Total unrestricted investments	<u>\$ 5,848</u>

Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments and reserved cash at September 30, 2020 as shown below (dollars in thousands):

Primary Government

Tenant security deposits held in trust, replacement reserves and mortgage escrow deposits for Tsa-La-Gi	\$ 41
Capital replacement, closure and postclosure care costs of the Landfill Closure fund	3,829
Scholarship funds and youth development projects	527
District Court escrow account	<u>11</u>
Total Primary Government restricted cash, cash equivalents and investments	<u>\$ 4,408</u>

Component Units

HACN's lease-to-own homeownership program monthly equity payments	2,532
Pari-mutuel horse racing activities funds	5,589
CNB cash related to federal grants	74
CNF endowment funds	<u>120</u>
Total Component Unit restricted cash, cash equivalents and investments	<u>\$ 8,315</u>

4. RECEIVABLES

Receivables for primary government at September 30, 2020 consisted of the following (dollars in thousands):

	<u>Primary Government</u>				
	<u>Accounts Receivable</u>				<u>Notes Receivable</u>
	<u>Grants & Contracts Receivable</u>	<u>Accounts Receivable</u>	<u>Interest Receivable</u>	<u>Total</u>	
Governmental Receivables:					
General					
Motor fuel taxes	\$ -	\$ 2,636	\$ -	\$ 2,636	\$ -
Other taxes	-	161	-	161	-
Other accounts receivable	-	1,564	-	1,564	-
Special Revenue Funds	16,642	12,489	124	29,255	1,372
Other - Internal Service Funds	<u>-</u>	<u>672</u>	<u>-</u>	<u>672</u>	<u>-</u>
Receivables of Governmental Activities	<u>\$ 16,642</u>	<u>\$ 17,522</u>	<u>\$ 124</u>	<u>\$ 34,288</u>	<u>\$ 1,372</u>
Business-type Activities:					
CN Sanitary Landfill	\$ -	\$ 289	\$ -	\$ 289	\$ -
EDTA	-	4	-	4	-
Notes receivable, current	-	-	-	-	1,971
Long-term notes receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,070</u>
	-	293	-	293	10,041
Less: Allowance for uncollectables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(412)</u>
Receivables of Business-type Activities	<u>\$ -</u>	<u>\$ 293</u>	<u>\$ -</u>	<u>\$ 293</u>	<u>\$ 9,629</u>

Accounts receivable for Special Revenue Funds include amounts receivable from Medicare, Medicaid and insurance companies for services provided to covered patients at the Nation's W.W. Hastings Hospital and clinics.

Receivables for component units at September 30, 2020 shown below consisted of the following as shown on the following page (dollars in thousands):

	Component Units							Total
	CNB	HACN	CNCCA	CNHHS	CHP	CNF	CNHS	
Receivables:								
Accounts and Other	\$ 118,582	\$ 576	\$ 371	\$ 804	\$ 2,006	\$ 79	\$ 36	\$ 122,454
Interest	-	618	-	-	-	-	-	618
Notes	-	13,009	-	-	-	-	-	13,009
	118,582	14,203	371	804	2,006	79	36	136,081
Less: Allowance for uncollectables	(1,290)	-	-	(110)	-	-	-	(1,400)
Receivables, net	\$ 117,292	\$ 14,203	\$ 371	\$ 694	\$ 2,006	\$ 79	\$ 36	\$ 134,681

Mortgages Receivable – Title VI

HACN has mortgages receivable at September 30, 2020 totaling \$12,176,000 from individuals who are participating in the Title VI loan program. Each of these loans is secured by a mortgage on the house sold by HACN. The loans have an interest rate of 4% and are payable over 30 years. No allowance has been recorded as of September 30, 2020 as the Housing Authority believes the amounts to be collectable or if the houses are reacquired by HACN, the value of the home will equal or exceed the balance of the loan. At September 30, 2020, the current and noncurrent portions of these mortgages receivable were \$515,000 and \$11,661,000, respectively.

5. INTERFUND TRANSFERS AND BALANCES

Interfund transfers for the year ended September 30, 2020 consisted of the following (dollars in thousands):

Category and Fund	Transfers from Other Funds	Transfers to Other Funds
Governmental Activities:		
Governmental Funds:		
General	\$ 3,199	\$ (3,192)
PL 102-477	-	(77)
Department of Transportation	-	(661)
Self Governance DHHS	1,117	(56,241)
Nonmajor Governmental Funds	56,420	(1,029)
Total Governmental Funds	60,736	(61,200)
Internal Service Funds	12	-
Total Governmental Activities	60,748	(61,200)
Business-type Activities:		
Proprietary Funds:		
Nonmajor Enterprise Funds	452	-
Total Proprietary Funds	452	-
Total Business-type Activities	452	-
Total Primary Government	\$ 61,200	\$ (61,200)

Reconciliation to government-wide Statement of Activities:

Governmental Activities:		
Transfers In	\$ 60,748	
Transfers Out	<u>(61,200)</u>	
Net Transfer Governmental Activities		<u>\$ (452)</u>
Business-type Activities:		
Transfers In	<u>\$ 452</u>	
Net Transfer Business-type Activities		<u>\$ 452</u>

Transfers are generally used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) move unrestricted revenues collected in the General Fund, or other funds, to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances at September 30, 2020 consisted of the following (dollars in thousands):

<u>Category and Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
Governmental Funds:		
General	\$ 54,716	\$ 19,026
PL 102-477	-	30,614
Department of Transportation	-	2,682
Self Governance DHHS	-	75,464
Coronavirus Relief Fund	-	29,389
Nonmajor Governmental Funds	<u>86,955</u>	<u>9,998</u>
Total Governmental Funds	<u>141,671</u>	<u>167,173</u>
Internal Service Funds	<u>32,470</u>	<u>3,716</u>
Total Governmental Activities	<u>174,141</u>	<u>170,889</u>
Business-type Activities:		
Proprietary Funds:		
Nonmajor Enterprise Funds	<u>-</u>	<u>3,252</u>
Total Proprietary Funds	<u>-</u>	<u>3,252</u>
Total Business-type Activities	<u>-</u>	<u>3,252</u>
Total Primary Government	<u>\$ 174,141</u>	<u>\$ 174,141</u>

Reconciliation to government-wide Statement of Net Position:

Governmental Activities:			
Due from Other Funds	\$	174,141	
Due to Other Funds		<u>(170,889)</u>	
Net Internal Balances			<u>\$ 3,252</u>
Business-type Activities:			
Due to Other Funds	\$	<u>(3,252)</u>	
Net Internal Balances			<u>\$ (3,252)</u>

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, the dates the transactions are recorded in the accounting system, and the date payments between funds are made.

Interfund balances that are not expected to be repaid within one year include \$3,146,000 due from nonmajor enterprise funds to the general fund. This balance is related to reimbursements for capital purchases and is expected to be paid over several years.

6. INVENTORIES

The Nation's inventories were comprised of the following at September 30, 2020 (dollars in thousands):

	Governmental Funds	Internal Service Funds	Component Units
Finished goods and raw materials	\$ -	\$ -	\$ 16,724
Food for distribution	1,992	-	-
Pharmaceuticals and supplies	<u>8,426</u>	<u>210</u>	<u>785</u>
	10,418	210	17,509
Less inventory reserves	<u>-</u>	<u>-</u>	<u>(2,530)</u>
Total inventories	<u>\$ 10,418</u>	<u>\$ 210</u>	<u>\$ 14,979</u>

The majority of the component unit inventory at September 30, 2020 relates to the Engineering and Manufacturing Sector of CNB that competes in the aerospace and defense manufacturing industries. The sector provides distribution, kitting and manufacturing of cable and wire harness assemblies, electromechanical assemblies, interconnect solutions, electronic racks, electric panels and enclosures, power distribution, ground support equipment, avionics subassemblies, and APU/Engine details and subassemblies. The sector also provides maintenance and logistics as well as precision CNC machining, metal forming, and manufacturing of metal-fabricated details and electromechanical components. The sector is also a value-added reseller in the telecommunications industry providing end- to-end distribution services and warehousing.

7. CAPITAL ASSETS

A summary of capital assets activity by major class, for the year ended September 30, 2020 follows (dollars in thousands):

Governmental Activities

	<u>Balance,</u> <u>September 30,</u> <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>September 30,</u> <u>2020</u>
Activity by Major Class				
Capital assets, not being depreciated:				
Land	\$ 20,798	\$ 1,962	\$ -	\$ 22,760
Construction in process	155,471	23,986	(160,009)	19,448
Total capital assets, not being depreciated	<u>176,269</u>	<u>25,948</u>	<u>(160,009)</u>	<u>42,208</u>
Capital assets being depreciated:				
Buildings and improvements	232,210	160,685	(58)	392,837
Equipment	113,862	13,966	(230)	127,598
Land improvements	1,697	92	-	1,789
Total capital assets being depreciated	<u>347,769</u>	<u>174,743</u>	<u>(288)</u>	<u>522,224</u>
Less accumulated depreciation for:				
Buildings and improvements	(56,694)	(7,189)	13	(63,870)
Equipment	(76,868)	(9,546)	162	(86,252)
Land improvements	(533)	(134)	-	(667)
Total accumulated depreciation	<u>(134,095)</u>	<u>(16,869)</u>	<u>175</u>	<u>(150,789)</u>
Total capital assets being depreciated, net	<u>213,674</u>	<u>157,874</u>	<u>(113)</u>	<u>371,435</u>
Activity by major class capital assets, net	<u>\$ 389,943</u>	<u>\$ 183,822</u>	<u>\$ (160,122)</u>	<u>\$ 413,643</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Tribal Government	\$ 8,733
Health Services	6,086
Education Services	557
Human Services	374
Community Services	<u>1,119</u>
Total Governmental activities depreciation expense	<u>\$ 16,869</u>

Business-type Activities

	Balance, September 30, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, September 30, <u>2020</u>
Capital assets, not being depreciated:				
Land	\$ 236	\$ -	\$ -	\$ 236
Capital assets being depreciated:				
Buildings and improvements	1,905	-	-	1,905
Equipment	1,816	1,772	-	3,588
Land improvements	1,607	348	-	1,955
Total capital assets being depreciated	<u>5,328</u>	<u>2,120</u>	<u>-</u>	<u>7,448</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,770)	(15)	-	(1,785)
Equipment	(1,417)	(527)	-	(1,944)
Land improvements	-	(130)	-	(130)
Total accumulated depreciation	<u>(3,187)</u>	<u>(672)</u>	<u>-</u>	<u>(3,859)</u>
Total capital assets being depreciated, net	<u>2,141</u>	<u>1,448</u>	<u>-</u>	<u>3,589</u>
Business-type activities capital assets, net	<u>\$ 2,377</u>	<u>\$ 1,448</u>	<u>\$ -</u>	<u>\$ 3,825</u>

Depreciation expense of \$19,000 was recognized by Tsa-La-Gi Apartments while depreciation of \$653,000 was recognized by CN Sanitary Landfill for the year ended September 30, 2020.

Component Unit Activities

	Balance, September 30, 2019	Additions	Reductions	Balance, September 30, 2020
CNB and HACN:				
Capital assets, not being depreciated:				
Land	\$ 53,671	\$ 239	\$ (254)	\$ 53,656
Construction in process	38,788	55,721	(33,460)	61,049
Artwork	3,783	400	-	4,183
Total capital assets, not being depreciated	<u>96,242</u>	<u>56,360</u>	<u>(33,714)</u>	<u>118,888</u>
Capital assets being depreciated:				
Buildings, improvements and other	874,618	21,220	(7,011)	888,827
Machinery and equipment	250,685	16,900	(5,470)	262,115
Total capital assets being depreciated	<u>1,125,303</u>	<u>38,120</u>	<u>(12,481)</u>	<u>1,150,942</u>
Less accumulated depreciation for:				
Buildings, improvements and other	(273,605)	(32,963)	2,672	(303,896)
Machinery and equipment	(172,516)	(24,888)	4,379	(193,025)
Total accumulated depreciation	<u>(446,121)</u>	<u>(57,851)</u>	<u>7,051</u>	<u>(496,921)</u>
Total capital assets being depreciated, net	<u>679,182</u>	<u>(19,731)</u>	<u>(5,430)</u>	<u>654,021</u>
CNB and HACN activities - capital assets, net	<u>775,424</u>	<u>36,629</u>	<u>(39,144)</u>	<u>772,909</u>
Other Component Units:				
CNHHS, CNCCA, CHP, CNF and CNHS capital assets, net	<u>5,513</u>	<u>(510)</u>	<u>-</u>	<u>5,003</u>
Total of the Component Unit activities - capital assets, net	<u>\$ 780,937</u>	<u>\$ 36,119</u>	<u>\$ (39,144)</u>	<u>\$ 777,912</u>

8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2020 was as follows (dollars in thousands):

<u>Governmental Activities</u>	Balance, September 30, 2019	Additions	Reductions	Balance, September 30, 2020	Current Portion	Long-Term Portion
Notes Payable						
Note payable to construct Tahlequah Outpatient Health Facility. See (1) below.	168,111	-	(11,333)	156,778	11,333	145,445
Total long-term debt	<u>\$ 168,111</u>	<u>\$ -</u>	<u>\$ (11,333)</u>	<u>\$ 156,778</u>	<u>\$ 11,333</u>	<u>\$ 145,445</u>

(1) This direct placement note provided the funding for the construction of a new outpatient health facility in Tahlequah, Oklahoma. The principal amount of the note was \$170,000,000 to finance a portion of the costs of the construction of the project, finance a portion of the costs of furniture, fixtures

and equipment for the project, refund the outstanding Bonds, and pay transaction costs. This note had an interest only period until the first principal payment on the loan was paid on August 31, 2019, with each scheduled installment being an amount equal to 1/180th of the outstanding principal balance of the loan as of the close of business on August 30, 2019. Payment of each scheduled monthly principal installment shall be accompanied by payment of the interest due. Interest on the note shall be due and payable in arrears on the last day of each calendar month, commencing September 30, 2016 and at maturity. As of August 26, 2019 the entire loan amount had been drawn. At September 30, 2020 the loan balance was \$156,778,000. In the event of default, the unpaid principal balance of the note, all interest accrued and unpaid thereon, and all other amounts payable under the Loan Documents shall be automatically due and payable. The Nation entered into a swap agreement with Bank of Oklahoma to synthetically fix the interest rate on the \$170,000,000 loan. The swap agreement synthetically fixes the rate at 2.7%. The agreement covers the entire 15-year term. There are potential gains and losses associated with the swap agreement should Cherokee Nation choose an early payoff on the loan. The note is a general obligation of the Nation and is a variable rate note with an interest rate of 1.8% at September 30, 2020. See Note 10 for additional details.

The construction of the outpatient health facility in Tahlequah, Oklahoma, owned by the Nation, was constructed as part of a Joint Venture Construction Program Agreement (JVCP) between the Nation and the Indian Health Service (IHS), Department of Health and Human Services dated February 25, 2016. The Nation planned, designed, constructed, equipped, leases and operates the outpatient health facility according to IHS specifications. The IHS provides funds to staff the facility in accordance with the joint venture agreement and the Self Governance Compact. The JVCP agreement provided that the Nation was responsible for constructing the outpatient health facility. Upon completion of the outpatient health facility, the IHS entered into a “no-cost lease” with the Nation. The no-cost lease is not intended to convey any real property interest in the outpatient health facility or the land it is located on but rather, the IHS is merely providing the funding for staffing the outpatient health facility. Pursuant to the terms of the JVCP Agreement, the Self Governance Compact and the no-cost lease, the Nation will be the sole operator of the outpatient health facility and all employees of the outpatient health facility will be employees of the Nation. The IHS will not directly provide services at the outpatient health facility. IHS funding for the operation of the outpatient health facility will be provided to the Nation through the Funding Agreements.

The balance of long-term debt, including capital leases, for business-type activities at September 30, 2020 was \$2,390,000. The balance of long-term debt for Component Units at September 30, 2020 was \$158,631,000. Long-term debt, including capital leases and lines of credit, in the business-type activities and component units at September 30, 2020 consisted of the following as shown on the following pages (dollars in thousands):

<u>Business-type Activities</u>	<u>Balance,</u> <u>September 30,</u> <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>September 30,</u> <u>2020</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
Economic Development Trust Authority						
Notes payable to the Department of Agriculture in variable annual installments including interest of 1% annual, with final payment due August 2034. See (2) below.	869	-	(66)	803	66	737
CN Sanitary Landfill						
Capital lease to Welch State Bank with fixed payments. Interest rate 1.99%, with final payment due April 2021. See (3) below.	362	-	(362)	-	-	-
Capital lease to Oklahoma State Bank with fixed payments. Interest rate 2.90%, with final payment due November 2024. See (4) below.	-	1,883	(296)	1,587	363	1,224
Total long-term debt	<u>\$ 1,231</u>	<u>\$ 1,883</u>	<u>\$ (724)</u>	<u>\$ 2,390</u>	<u>\$ 429</u>	<u>\$ 1,961</u>

(2) These direct borrowing notes are secured with collateral of the Intermediary Revolving Fund and the Intermediary Relending Program (IRP). In the event of default, USDA may declare the notes immediately due and payable.

(3) The capital lease is a direct borrowing lease secured by the equipment covered in the lease. In the event of default, the lease may be declared immediately due and payable. This capital lease was paid off in 2020.

(4) The capital lease is a direct borrowing lease secured by the equipment covered in the lease. In the event of default, the lease may be declared immediately due and payable. Equipment under this lease had a book value of \$1,482,000 at September 30, 2020, net of accumulated amortization of \$290,000.

<u>Component Units</u>	<u>Balance,</u> <u>September 30,</u>			<u>Balance,</u> <u>September 30,</u>		
	<u>2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>2020</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
Cherokee Nation Businesses, LLC (CNB)						
Revolving line of credit. See (5) below.	-	100,000	-	100,000	-	100,000
Housing Authority of the Cherokee Nation (HACN)						
Note payable to bank in fixed monthly payments of \$1 including principal and interest. Interest calculated at 6.75% annual. See (6) below.	20	-	(15)	5	5	-
Assumable Mortgage Program (*AMP*) - loans for use in the purchase of homes provided to program participants. Interest rates vary from 4% to 7.125% and are payable in monthly installments over thirty (30) years. See (7) below.	55,163	2,751	(1,332)	56,582	1,205	55,377
Cherokee Health Partners, LLC (CHP)						
2.99% note payable, due in monthly installments of \$10 including interest, through February 2022, secured by equipment. See (8) below.	295	-	(108)	187	120	67
3.5% note payable, due in monthly installments of \$18 including interest secured by equipment. See (8) below.	108	-	(108)	-	-	-
3.85% note payable, due in monthly installments of \$7 including interest, through March 2029, secured by equipment. See (8) below.	662	-	(58)	604	50	554
Cherokee Nation Home Health Services (CNHHS)						
Bank note payable dated June 7, 2006 in the original amount of \$371 has monthly payments of \$3, including interest at 5.5% and matures June 7, 2022, secured by a building and land. See (9) below.	175	-	(21)	154	23	131
Capital lease for buildings and equipment at an interest rate of 2.05%. See (10) below.	132	80	(59)	153	60	93
Note payable received under the Small Business Administration Paycheck Protection Program issued April 2020 and due April 10, 2022, with principal and interest at 1%; payable monthly beginning seven months from the note date to the extent the loan is not forgiven. See (11) below.	-	687	-	687	418	269
Line of credit. See (12) below.	248	-	(50)	198	198	-
Cherokee National Historical Society, Inc (CNHS)						
Bank note payable dated August 12, 2015 in the original amount of \$92 with a balloon payment due August 15, 2020. Interest rate is variable at 1.8 percentage points above the LIBOR rate. See (13) below.	73	-	(12)	61	61	-
Total long-term debt	<u>\$ 56,876</u>	<u>\$ 103,518</u>	<u>\$ (1,763)</u>	<u>\$ 158,631</u>	<u>\$ 2,140</u>	<u>\$ 156,491</u>

(5) On July 19, 2013, CNB entered into a \$100,000,000 revolving credit agreement that was increased to \$150,000,000 on November 6, 2017. On January 10, 2020, CNB entered into an amendment to the line of credit increasing the amount to \$300,000,000 and extending the maturity date for five years. CNE guarantees the amended credit facility. In addition, the agreement is collateralized by CNE's cash flows and substantially all of CNE's assets. The credit agreement includes a \$20,000,000 letter of credit arrangement. The agreement bears interest at the one-month London InterBank Offered Rate (LIBOR) plus a margin that ranges from 1.0% to 1.6%, depending on the leverage ratio. The credit agreement has quarterly unused commitment fees ranging from 0.25% to 0.30%, determined by the outstanding loan balance. These

unused commitment fees are presented as interest expense in the accompanying financial statements. CNB had outstanding borrowings of \$100,000,000 at September 30, 2020.

(6) During fiscal year 2006, HACN direct borrowed \$152,000 for its costs related to the Claremore QuadPlex project. The loan is repaid in monthly payments of \$1,300 including principal and interest and began on February 1, 2006. The loan carries an interest rate of 6.75%. The final payment will be made on February 1, 2021. At September 30, 2020 the loan balance was \$5,000. In the event of default, outstanding amounts become immediately due and payable.

(7) During fiscal year 2007, HACN began its Assumable Mortgage Program. In fiscal year 2020, HACN direct borrowed \$2,751,000 in new loans for use in the purchase or construction of 749 total homes provided to program participants. Interest rates on the loans vary from 4% to 7.125% and are payable in monthly installments over thirty years. At September 30, 2020, the loan balance was \$56,582,000. In the event of default, outstanding amounts become immediately due and payable.

(8) CHP's outstanding notes payable to THA from direct borrowings are secured by the equipment collateralized by the notes. In the event of default, outstanding amounts become immediately due and payable.

(9) CNHHS renewed a promissory note and security agreement with a bank in June 2006 totaling \$371,000 with monthly payments of \$3,000, including interest at 7%, and an original maturity date of June 7, 2009. During 2009, the note agreement was extended an additional 35 monthly payments of \$3,000, including interest at 7.0% and a balloon payment of all outstanding principal and interest due June 7, 2012. During 2012, the note agreement was extended an additional 59 monthly payments of \$3,000, including interest at 5.25% and a balloon payment of all outstanding principal and interest due June 7, 2017. During 2017, the note agreement was extended an additional 59 monthly payments of \$3,000 including interest at 5.50% and a balloon payment of all outstanding principal and interest due June 7, 2022. The purpose of the note was to finance the construction of a new office building, completed in March 2006. The direct borrowing note payable is secured by a building, land and certain bank accounts. Amount outstanding at September 30, 2020 was \$154,000. In the event of default, outstanding amounts become immediately due and payable.

(10) CNHHS is obligated under direct borrowing leases for equipment that is accounted for as capital leases. In the event of default, outstanding amounts become immediately due and payable.

(11) CNHHS received a Paycheck Protection Program (PPP) Loan from the Small Business Administration designed to provide a direct incentive for small businesses to keep their workers on the payroll as part of the CARES Act and other subsequent legislation. The PPP loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. CNHHS received a PPP loan of \$687,000 in April 2020. The loan has an interest rate of 1%, with monthly payments of approximately \$39,000 starting seven months after the receipt of the loan. The loan, if not forgiven, matures in April 2022.

(12) CNHHS's line of credit is secured by the full faith and credit of the Nation under a limited waiver of sovereign immunity. In the event of default, outstanding amounts become immediately due and payable.

(13) This direct borrowing note is secured by one of CNHS's investment accounts. In the event of default, outstanding amounts become immediately due and payable.

The Nation, with approval of the Tribal Council, has approved limited waivers of sovereign immunity in connection with various debt incurred by the Nation.

Maturities of long-term debt for the Governmental and Business-type Activities are as shown below (dollars in thousands):

	Principal	Interest	Total
Governmental Activities:			
2021	11,333	2,744	14,077
2022	11,333	2,539	13,872
2023	<u>134,112</u>	<u>2,333</u>	<u>136,445</u>
Total	<u>\$ 156,778</u>	<u>\$ 7,616</u>	<u>\$ 164,394</u>
	Principal	Interest	Total
Business-type Activities:			
2021	429	49	478
2022	441	38	479
2023	452	27	479
2024	464	15	479
2025	136	6	142
2026 through 2030	352	19	371
2031 through 2035	<u>116</u>	<u>4</u>	<u>120</u>
Total	<u>\$ 2,390</u>	<u>\$ 158</u>	<u>\$ 2,548</u>

Maturities of long-term debt for the Component Units are as follows (dollars in thousands):

	Principal	Interest	Total
Component Units:			
2021	2,140	2,461	4,601
2022	1,838	2,403	4,241
2023	1,406	2,332	3,738
2024	1,462	2,273	3,735
2025	101,502	2,212	103,714
2026 - 2030	8,459	10,054	18,513
2031 - 2035	10,156	8,078	18,234
2036 - 2040	12,587	5,619	18,206
2040 - 2045	15,053	2,593	17,646
2046 - 2050	<u>4,028</u>	<u>212</u>	<u>4,240</u>
Total	<u>\$ 158,631</u>	<u>\$ 38,237</u>	<u>\$ 196,868</u>

9. COMPENSATED ABSENCES

Compensated absence liabilities are generally liquidated by the Fringe Pool Internal Service Fund, which allocates to and collects from other funds and/or departments within the Nation. Compensated absences are considered due within one year since historically the following year payment has exceeded the liability. The Nation provides paid sick and vacation leave to all regular full-time and part-time employees on a biweekly pay period. Leave may not be taken in advance of being earned and accrued. Sick leave is earned at the rate of four hours per pay period for regular full-time employees and two hours per pay period for regular part-time employees. Sick leave may be accrued to 1,040 hours. Unused sick leave will not be paid

at the time of voluntary or involuntary termination of employment. Vacation leave is earned based on a pay count (number of checks) as follows:

<u>Pay Count</u>	<u>Annual Leave Earned</u>	
	<u>Regular Full-Time</u>	<u>Regular Part-Time</u>
1 to 78 pay checks	4 hours per pay period	2 hours per pay period
79 to 260 pay checks	6 hours per pay period	3 hours per pay period
261 and above pay checks	8 hours per pay period	4 hours per pay period

Vacation leave may be accrued to a maximum of 240 hours. Once the 240 hours maximum balance is reached, the employee discontinues accruing until the number falls below 240 hours. Any employee who is separated from the job by layoff, resignation, termination or retirement shall have unused accrued annual leave paid in their last check. Changes in the reported liability follow (dollars in thousands):

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Leave Earned</u>	<u>Leave Used</u>	<u>Balance at End of Year</u>
2018	\$7,764	\$12,767	(\$12,238)	\$8,293
2019	\$8,293	\$14,102	(\$13,567)	\$8,828
2020	\$8,828	\$16,150	(\$13,059)	\$11,919

The claims above are expected to be paid from currently available financial resources and are included in the accompanying Proprietary Funds Statement of Net Position in the Governmental Activities – Internal Service Funds.

10. INTEREST RATE SWAP AGREEMENTS

In connection with the issuance of a \$170,000,000 note payable (see (1) in footnote 8 on page 66 - 67), the Nation also entered into an interest rate swap agreement with Bank of Oklahoma. Details of the agreement are as follows:

Objective of the Interest Rate Swap

The Nation’s asset/liability strategy is to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations and to lower its borrowing costs when compared against fixed-rate debt at the time of issuance, the Nation entered into an interest rate swap agreement for its tax-exempt long-term note payable with a financial institution. The intention of the swap is to effectively change the Nation’s variable interest rate portion on this note to a synthetic fixed rate of 1.20%.

Terms

The agreement was entered into on September 12, 2016, is scheduled to end on August 26, 2031 and required no initial net cash receipt or payment by the Nation. The agreement provides for the Nation to receive interest from the counterparty at 70% of the London Interbank Offering Rate (LIBOR) and to pay interest to the counterparty at a fixed rate of 1.20% on a notional amount of \$156,778,000 at September 30, 2020. The notional amount of the swap and the principal amount of the associated debt were equal at inception of the swap, and the notional amount declines each month by a corresponding amount of the debt balance each time a principal payment becomes due. Under the agreement, the Nation pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

Fair Value

As of September 30, 2020, the agreement had a negative fair value of \$8,985,000 calculated using the par-value method, *i.e.*, the fixed rate on the swap was compared with the current fixed rates that could be achieved in the marketplace should the swap be unwound. The fixed-rate component was valued by discounting the fixed-rate cash flows using the current yield to maturity of a comparable note. The variable-rate component was assumed to be at par value because the interest rate resets to the market rate at every reset date. The fair value was then calculated by subtracting the estimated market value of the fixed component from the established market value of the variable component. The fair value of the swap of \$8,985,000 is shown as a derivative investment – rate swap liability on the Statement of Net Position, with the offset recorded as a deferred outflow in the Nation’s government-wide Statement of Net Position as the hedging relationship is effective.

Credit Risk

The swap’s fair value represented the Nation’s credit exposure to the counterparty as of September 30, 2020. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Nation has a maximum possible loss equivalent to the swap’s fair value at that date. As of September 30, 2020, the Nation was not exposed to credit risk because the swap had a negative fair value. The swap counterparty was rated A by Fitch Ratings, BBB+ by Standard & Poor’s and A3 by Moody’s Investors Service as of September 30, 2020. The Nation does not currently have a policy of requiring the counterparty to post collateral in the event the Nation becomes exposed to credit risk. The Nation does not currently have a policy requiring a master netting agreement with the counterparty and does not currently have such an agreement in place.

Basis Risk

The swap exposes the Nation to basis risk should the relationship between LIBOR and the prime rate set by the Nation’s lender change in a manner adverse to the Nation. If an adverse change occurs in the relationship between these rates, the expected cost savings may not be realized.

Termination Risk

The Nation or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate portion of the notes would no longer have a synthetic fixed rate of interest. Also, if the swap has a negative fair value at the time of termination, the Nation would be liable to the counterparty for a payment equal to the swap’s then fair value.

Swap Payments and Associated Debt

Using rates as of September 30, 2020, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table on the following page. As rates vary, variable-rate interest payments and net swap payments will vary. The Nation has hedged 80% of the total \$170,000,000 of authorized debt (See Note 8).

	Variable-Rate Note		Interest Rate	
	Principal	Interest	Swap, Net	Total
2021	\$ 11,333,000	\$ 2,465,000	\$ (1,685,000)	\$ 12,113,000
2022	11,333,000	2,281,000	(1,559,000)	12,055,000
2023	11,333,000	2,107,000	(1,440,000)	12,000,000
2024	11,334,000	1,906,000	(1,303,000)	11,937,000
2025	11,334,000	1,728,000	(1,181,000)	11,881,000
2026 – 2031	67,055,000	6,449,000	(4,409,000)	69,095,000
	<u>\$ 123,722,000</u>	<u>\$ 16,936,000</u>	<u>\$ (11,577,000)</u>	<u>\$ 129,081,000</u>

11. LINES OF CREDIT

The Nation had a \$5,000,000 line of credit with Bank of America that had no outstanding borrowings which expired on September 30, 2020. The line of credit with Bank of America carried a floating rate equal to the LIBOR Daily Floating Rate plus 150 basis points. The cost associated with maintaining this Line of Credit agreement for fiscal year 2020 was \$13,000. Pursuant to LA 28-04 which amended LA 05-02, The Fiscal Policy and Responsibility Act, authorized this line of credit to be utilized in satisfying the permanent Cash Reserve required by the Act, and to permanently provide for operating cash needs of the Nation. In the event of default, any outstanding borrowings on the line of credit will be immediately due and payable.

On July 19, 2013, CNB entered into a \$100,000,000 revolving credit agreement. On November 6, 2017, CNB entered into an amendment to the revolving credit agreement, increasing the line of credit to \$150,000,000. On January 10, 2020, CNB entered into an amendment to the line of credit increasing the amount to \$300,000,000 and extending the maturity date for five years. CNE guarantees the credit facility. In addition, the agreement is collateralized by CNE's cash flows and substantially all of CNE's assets. The credit agreement includes a \$20,000,000 letter of credit arrangement. The agreement bears interest at the one-month LIBOR plus a margin that ranges from 1.0% to 1.6%, depending on the leverage ratio. The credit agreement has quarterly unused commitment fees ranging from 0.25% to 0.30%, determined by the outstanding loan balance. CNB had outstanding borrowings of \$100,000,000 at September 30, 2020. CNB had letters of credit outstanding totaling \$149,000 at September 30, 2020. CNB's availability under this revolving credit facility was \$200,000,000 at September 30, 2020.

Both CNB and CNE, as borrower and guarantor, respectively, are subject to various reporting and financial covenants, including a requirement to provide separate stand-alone audited financial statements for both entities. The revolving credit agreement also contains provisions that, in an event of a default, allow the lender to accelerate payments of the entire principal amount, if any, to be immediately due and payable.

CNHHS obtained a line of credit on March 25, 2011. The initial draw was used to pay off all the outstanding lines of credit at that date. This line of credit bears interest payable monthly at a fixed rate of 4.50% and is secured by the full faith and credit of the Nation under a limited waiver of sovereign immunity. This line of credit was renewed in March 2016 through March 2021. The balance of the line of credit at September 30, 2020 was \$198,000. In the event of default, outstanding amounts become immediately due and payable.

12. TRUST LIABILITIES

The HACN has several lease-to-own homebuyer programs wherein the tenant/homebuyer may eventually purchase the house in accordance with contractual agreements. These transactions are similar to a financing lease, however are not accounted for as such as the amount and ability to collect the minimum lease payments is not predictable. Until the time of transfer, these homes remain the property of the HACN. The costs of those units are depreciated over the expected term of payoff at the time of the original agreement, generally 25 years. When the home is paid off in accordance with the agreements and title is transferred to the homebuyer, a gain or loss is recognized by HACN. For the year ended September 30, 2020, a gain of \$25,000 was recorded in connection with such transfers and is reported as other, net nonoperating revenues (expenses) on the Combining Statement of Revenues, Expenses and Changes in Net Position – Component Units.

The HACN trust liabilities reflected in the accompanying financial statements primarily include a liability for funds that have been received from the tenants or homebuyers in the various lease-to-own programs. These funds are held in a trust type account to be applied to various uses, depending on the agreement with the tenant/homebuyer. The largest of the amounts included in this category are for accounts attributable to the New Mutual Help Housing Program wherein the tenant/homebuyers are credited with a portion of the funds that they have contributed as well as other amounts credited to them in accordance with HUD requirements and program policies. Under the provisions of mutual help occupancy agreements, tenant/homebuyers are required to make payments based on the family or household income. After deducting an administrative fee as set forth by HUD, the remaining balance is credited to the participant's equity payment account (MEPA). The balance of the MEPA accounts, which are being held by HACN on behalf of the New Mutual Help homebuyers, was \$2,532,000 as of September 30, 2020. This along with other credits to these tenant/homebuyers totaled \$2,638,000 at September 30, 2020. Although these funds will generally be retained by HACN upon the transfer of home ownership to the tenant/homeowner, they are presented as a liability until then because the funds are effectively owned by the tenant/homeowner. Upon transfer of the home to the tenant/homeowner the funds will be considered revenue and applied to the carrying value of the related home and a gain or loss will be recorded by HACN.

Additionally, at September 30, 2020, other amounts included in this category include escrow deposits held by the HACN associated with the Title VI program mortgages totaling \$10,000, and low income housing tenants' security deposits of \$27,000.

13. FUND BALANCE CLASSIFICATION

The details for the Nation's fund balances presented in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of September 30, 2020 are as shown on the following page (dollars in thousands):

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	PL 102-477	Self Governance DHHS	Coronavirus Relief Fund	Nonmajor Governmental Funds		
Fund balances:							
Nonspendable:							
Inventory & other assets	\$ 4	\$ -	\$ 17,838	\$ -	\$ -	\$ -	\$ 17,842
Permanent fund principal	-	-	-	-	425	-	425
Restricted for:							
Federal, State and Private Grants	-	2,126	187,189	71	27,316	-	216,702
Education, Health, Roads, Safety (MFT)	63,779	-	-	-	-	-	63,779
Education (MVT)	7,762	-	-	-	-	-	7,762
Roads (MVT)	9,438	-	-	-	-	-	9,438
Law Enforcement (MVT)	787	-	-	-	-	-	787
Committed for:							
Contract Health Services	9,441	-	-	-	-	-	9,441
Land Acquisitions	3,282	-	-	-	-	-	3,282
Heart of the Nation	33	-	-	-	-	-	33
Job Training and Tuition	194	-	-	-	-	-	194
Student activities	226	-	-	-	-	-	226
Substance Abuse Treatment	17	-	-	-	-	-	17
TERO Job Training Programs	667	-	-	-	-	-	667
Emergency Reserve Fund	8,723	-	-	-	-	-	8,723
Assigned to:							
Budgetary Resources for Subsequent Year	14,882	-	-	-	-	-	14,882
Capital Projects	-	-	-	-	56,253	-	56,253
Unassigned:*	<u>35,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,713</u>
Total fund balances	<u>\$ 154,948</u>	<u>\$ 2,126</u>	<u>\$ 205,027</u>	<u>\$ 71</u>	<u>\$ 83,994</u>	<u>\$ -</u>	<u>\$ 446,166</u>

* Legislative Act (LA) 05-02 established a cash reserve in the amount of 1.75% of the original operating budget of each fiscal year to use as a stabilization fund. LA 28-04 amended LA 05-02 and established a \$5,000,000 Line of Credit as part of the 1.75% reserve. The legislative acts do not commit specific uses of the reserve; therefore the balance is shown as unassigned. For the current fiscal year \$9,143,000 of the unassigned fund balance was set aside to meet the \$14,143,000 reserve.

14. LANDFILL CLOSURE/POSTCLOSURE CARE COSTS & OTHER LANDFILL MATTERS

The Nation owns a solid waste landfill in eastern Oklahoma. The Nation accounts for the landfill closure/postclosure in accordance with the provisions of GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, in the CN Sanitary Landfill Fund, a nonmajor enterprise fund.

Federal regulations will require the Nation to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will only be paid near or after the date the landfill stops accepting waste, GASB Statement No. 18 requires proprietary funds, such as Landfill Closure, to report a portion of these costs as an operating expense in each period based on landfill capacity and utilization. Historically, the landfill has utilized a ratioed total closure cost approach to determine the annual financial assurance requirements of the facility. This approach was premised on the idea that the entire permit area was developed and active with no areas having an installed final cover system. The landfill utilized the total cost estimate and a ratio between the total volume of waste accumulated within the landfill and the total estimated capacity of the entire permit area to determine the annual financial assurance requirement. Based on the current configuration of the landfill, this approach required modification to more accurately reflect the estimated total current cost of its solid waste landfill closure and postclosure care costs.

In accordance with GASB Statement No. 18, the Nation performed an annual reevaluation in 2020 of the estimated total current cost of its landfill closure and postclosure care. Based upon the annual reevaluation of closure and postclosure cost estimates, the amount reported as Landfill Closure and Postclosure Care Liability (included in other noncurrent liabilities) of \$6,666,000 at September 30, 2020 includes an increase of \$2,389,000 resulting from the annual reevaluation. Subsequent increases will be dictated primarily by inflationary factors and changes to the closure and postclosure requirements, such as a change in facility design or increases in waste disposal area.

Landfill closure liability activity for the year ended September 30, 2020 is as follows (dollars in thousands):

	<u>Balance,</u> <u>September 30,</u> <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance,</u> <u>September 30,</u> <u>2020</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
Landfill closure liability	3,827	2,839	-	6,666	-	6,666
Total landfill closure liability	<u>\$ 3,827</u>	<u>\$ 2,839</u>	<u>\$ -</u>	<u>\$ 6,666</u>	<u>\$ -</u>	<u>\$ 6,666</u>

The Nation makes annual contributions to a restricted bank account to finance closure and postclosure care. At September 30, 2020, restricted cash, cash equivalents and investments of approximately \$3,829,000 were held for these purposes. The Nation expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are necessary (due to changes in technology or applicable laws or regulations, for example), such costs may need to be funded by charges to future landfill users or other revenue sources.

No closure/postclosure liability has been reported by the Nation at September 30, 2020 for this landfill in its governmental funds because of the long-term nature of the liability.

15. RISK MANAGEMENT AND SELF-INSURED HEALTH PLANS

The Nation manages its risk exposures through risk retention and the purchase of insurance. In the area of health benefits, the Nation utilizes a modified self-insured program with a third party administrator. Claims for benefits are paid by the Nation to a level of \$250,000 per year per employee. Amounts over \$250,000 per employee are subject to reimbursement by the insurance company.

The Nation is self-insured against employee health and short-term disability claims incurred under its employee group health disability plan. The maximum liability risk to the Nation is \$250,000 per employee per year for employee health. Any claims in excess of this limit are covered by insurance. Significant insurable exposures other than health claims are covered by commercial insurance. For insured exposures, there were no significant reductions in insurance coverage during the year ended September 30, 2020. Additionally, settlement amounts have not been in excess of insurance coverage in each of the past three years.

The Nation's reported employee health claims liability of \$4,050,000 at September 30, 2020, has been recorded in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The claims liability has been estimated based upon historical claims experience. The Nation believes that this method of estimating the liability is sufficient to determine the amount of open claims and to provide for claims that have been incurred but not reported (IBNR). Changes in the reported liability are as follows (dollars in thousands):

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2018	\$2,285	\$37,664	(\$36,121)	\$3,828
2019	\$3,828	\$34,641	(\$34,887)	\$3,582
2020	\$3,582	\$34,744	(\$34,276)	\$4,050

The claims above are expected to be paid from currently available financial resources and are included in Governmental Activities – Internal Services Funds in the accompanying Proprietary Funds Statement of Net Position, as other current liabilities.

Workers’ Compensation benefits are provided within the All Lines Aggregate (ALA) program and comply with our Tribal Workers’ Compensation Act (TWCA). There is a \$100,000 retention on each claim. The maximum benefit is \$10,000,000 per person/per claim for compensation and other benefits which is equal to the amount CNB/CNE carries; and is in agreement with our Employers Liability limit which remains at \$10,000,000 per person/claim.

The first \$100,000 of risk is retained on all coverage lines within the All Lines Aggregate (ALA) program with the exception of a \$100,000 deductible on Tribal Officials Errors and Omissions Coverage. The ALA program responds to losses over the \$100,000 retention/deductible level. A Stop Loss equivalent to 1.8% of payroll is in place to limit the Nation’s exposure. Program design also includes *Clash Coverage* which further limits the Nation’s exposure by applying only one \$100,000 retention per insured incident regardless of the number of coverage lines that may apply arising out of a single Occurrence. Coverage provided by the ALA program includes the following liability coverage on a \$10,000,000 per occurrence basis: Comprehensive General Liability, Products/Completed Operations including Contractual Liability, Special Events Liability, Sexual Misconduct Liability, Fire Legal Liability, Cemetery Malpractice, Law Enforcement Professional Liability, Medical Malpractice including Hospital/Clinic Malpractice, Liquor Liability, Innkeepers Liability, Automobile Liability including Non-Owned Automobile Liability, Auto Medical Payments, Uninsured and Underinsured Motorist, Automobile Physical Damage, Garage Keeper’s Legal Liability and Valet Parking. The following coverage lines are provided on a Claims-made basis with a limit of \$10,000,000 each occurrence and in the Aggregate: Tribal Officials Liability, Miscellaneous Professional Errors and Omissions Liability, Employee Benefit Liability, and Employment Practices Liability. Retroactive date of October 1, 2003 applies to all coverage lines within this class.

A \$15,000,000 Umbrella (Excess) Liability policy continues to be maintained and follows the form of underlying coverage. Another excess liability policy provides \$75,000,000 excess of \$25,000,000. This brings the Nation’s ALA limit to \$100,000,000. The basic Fiduciary Liability policy provides a \$5,000,000; with excess policies providing \$5,000,000 excess of \$5,000,000; with another excess policy providing \$5,000,000 excess of \$10,000,000 bringing the Fiduciary Liability limit to \$15,000,000.

A Drone Liability policy limit was decreased from \$5,000,000 to \$3,000,000 limit of liability due to market conditions.

All named insureds on the Property & Casualty (ALA) insurance program remained the same as last year.

The Earthquake limit on the Commercial Property policy is \$5,000,000; and the Flood limit is \$10,000,000. It should be noted that the commercial property losses are included in the ALA Stop Loss. Also, under the Commercial Property policy Course of Construction limit remains at \$25,000,000; E-Commerce Liability limit is \$2,000,000; Cyber Liability remains in effect with a \$10,000,000 limit and an applicable \$100,000 retention applies. Another \$5,000,000 Excess Cyber policy was purchased increasing the Cyber Liability limit to \$15,000,000. A standalone Pollution Liability policy provides a \$10,000,000 Limit with \$25,000 retention per contamination. A Crime policy is maintained providing a \$1,000,000 per occurrence loss limit with a lower deductible of \$10,000. An Owners Protective Professional Indemnity Policy (OPPI) continues to be provided for the Tahlequah Outpatient Health Center provides a \$10,000,000 combined aggregate limit; and, includes a 10-Year Extended Reporting Period.

Effective January 1, 2019, the Service Contract Act and Davis-Bacon Act employees were offered self-funded medical and dental plans and participate in similar plans as other blended component unit employees.

CNB provides employee health coverage under two separate self-insured group health plans covering different groups of employees. The maximum liability per participant per plan year is \$100,000,000. Any claims in excess of these limits are covered by stop-loss insurance. Self-insurance liabilities are estimated based on claims experience and are included in accounts payable and accrued liabilities in the accompanying statements of net position. Additionally, CNB provides fully-insured health and welfare benefits for certain employees overseas. Information concerning the changes in the CNB self-insurance medical liability reported as accounts payable and accrued liabilities in CNB's statement of net position follows (dollars in thousands):

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2018	\$4,884	\$45,990	(\$46,134)	\$4,740
2019	\$4,740	\$51,033	(\$51,033)	\$4,740
2020	\$4,740	\$51,666	(\$50,090)	\$6,316

16. EMPLOYEE RETIREMENT PLAN

The following brief descriptions of the Nation's retirement plans are provided for general information purposes only. Participants should refer to the applicable plan documents for more complete information. The Nation sponsors a defined contribution 401(a) plan, which utilizes Lincoln Financial Group Trust Company, Inc., as custodian and the Cherokee Nation Pension Committee as trustee. A defined contribution plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All regular full-time and regular part-time employees who have attained at least 18 years of age are eligible to participate in the plan upon employment. The plan year is January 1 through December 31. Participants become fully vested after four years of participation in the plan. Employees may contribute from 1% to 50% of their gross salary, and after 6 months of service the Nation will match 100% for the first 5% and 50% of the next 4%. The plan is administered by the Director of Human Resources, with input from the Nation's Pension Committee. The Pension Committee consists of the plan administrator and employees of the Nation. The plan administrator is responsible for amending the plans' provisions, including contribution requirements.

The Nation’s primary government’s total gross payroll for fiscal year 2020 was approximately \$226,152,000, which included approximately \$222,827,000 for employees covered by the plan. Contributions to the 401(a) plan for 2020 were approximately \$19,253,000. Contributions expressed in dollars and percent of covered payroll were: Nation \$8,018,000, 3.6% and participants \$11,235,000, 5.0%.

The Nation’s required contribution and percentage of contribution for fiscal year 2020 and the two preceding years follows:

Trend Information
(dollars in thousands)

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contribution</u>
2018	\$6,383	100%
2019	\$6,931	100%
2020	\$8,018	100%

The Cherokee Nation Elected and Appointed Official’s 401(k) Plan and Trust is a qualified defined contribution plan established by the Nation for the benefit of the Nation’s eligible elected and appointed officials. This plan is intended to constitute a qualified profit sharing plan within the meaning of Code Section 401(a), and all regulations issued under the Code (the “Regulations”), to the extent applicable to a governmental plan. This plan does not elect to be subject to provisions of the Code that are not applicable to a governmental plan nor, unless specifically provided, to any of the provisions of the Employee Retirement Income Security Act of 1974. Contributions to the CN Elected and Appointed Official’s 401(k) plan for 2020 were \$260,000 of which \$93,000 was required and made by the Nation and \$167,000 was made by participants.

CNB employees are eligible to participate in various 401(k) savings plans as follows:

The Cherokee Nation Businesses, LLC 401(k) Plan (the Plan) allows full-time employees of CNB and certain component units who have two months of service and are at least 21 years of age to participate in the Plan. Under the provisions of the Plan, participants may elect to contribute from 1% to 90% of their eligible compensation up to the Internal Revenue Service annual limit, for which CNB and these component units will match 100% of the first 6% contributed. During 2020 participating employees contributed \$25,607,000 with employer-matching contributions of \$18,444,000 to the Plan.

At September 30, 2020 liabilities under deferred compensation and long-term incentive compensation arrangements for executives of CNB and its component units totaled \$3,571,000 which has been recorded as accounts payable and accrued liabilities.

CNCCA has adopted a 401(k) retirement plan for its employees. Employees are eligible to participate beginning six months from the date of employment, with a minimum of 1,000 hours of service. Employees may contribute up to 50% of their compensation to the plan subject to maximum contributions established by the IRS. CNCCA makes matching contributions up to 3% of an eligible employee’s annual compensation. Employer contributions to the plan fully vest after three years of participation. CNCCA’s total contributions for the year ended September 30, 2020 were approximately \$73,000. The plan also has a profit sharing provision. The amount of the profit sharing contribution is at the discretion of the board of CNCCA. Profit sharing contributions are fully vested after three years of participation. CNCCA made no profit sharing contributions for the year ended September 30, 2020.

CNHHS has a defined contribution plan covering substantially all employees. Pension expense is recorded for the amount of CNHHS's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by CNHHS's Governing Board. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of CNHHS's governing body. Contribution rates for the plan members and CNHHS expressed as a percentage of covered payroll were 1.2% for 2020. Contributions made by plan members was \$40,000 and by none by CNHHS during 2020.

CNF has a defined contribution plan in the form of a simple IRA. The plan allows for employee deferrals into the plan along with a company match of 3%. During 2019, the organization contributed \$7,635 to the plan for the benefit of their employees.

17. COVID-19 PANDEMIC AND CARES ACT FUNDING

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. During March 2020, the U.S. federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to help individuals, businesses, state and local governments, and tribes, including Cherokee Nation, respond to the pandemic emergency. The Nation received an allocation of \$410,906,000 in federal emergency relief funding under the Coronavirus Relief Fund contained in Title V of the CARES Act. Expenditures must meet the requirements of the Coronavirus Relief Fund set forth in the CARES Act and are subject to reporting requirements and audit by the U.S. Treasury Office of Inspector General. Other federal COVID-19 funding received by the Nation from various other federal agencies such as USDA, HHS, HUD, and the Department of the Interior was spent as prescribed by each federal funding agency. All federal COVID-19 funding is reported in the fund financial statements of the governmental funds.

The Nation created the COVID-19 Respond, Recover and Rebuild Economic Relief Program to primarily offset unbudgeted costs caused by the pandemic to protect employees from unpaid furloughs, add important safety measures to infrastructure, increase services for citizens impacted by the pandemic and invest in strengthening Cherokee communities to speed recovery. The program provided funding to community organizations to assist with their response to COVID-19 including helping schools increase distance learning capabilities and providing relief funds to food banks and Cherokee community organizations.

The COVID-19 Respond, Recover and Rebuild Economic Relief Program provided \$101,334,000 to CNB and its related entities for reimbursement of costs incurred during the required closure period of its facilities, pandemic response costs incurred during the closure period, and pandemic response costs incurred during the reopening period and is reflected as nonoperating revenue in the Combining Statement of Revenues, Expenses and Changes in Net Position – Component Units, in accordance with Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2020-1.

The COVID-19 Respond, Recover and Rebuild Economic Relief Program provided \$502,000 to CNHHS for hazard pay and telework stipends to employees in July 2020. The stipend from the Nation is included as nonoperating revenue in the Combining Statement of Revenues, Expenses and Changes in Net Position – Component Units.

During 2020, the Nation was awarded a total of approximately \$558,718,000 in federal aid under various facets of the CARES Act, the Families First Coronavirus Response Act (FFCRA), the Paycheck Protection Program (PPP) and Health Care Enhancement Act (PPHCEA). This does not include direct aid awarded to discretely presented component units, which directly received approximately \$237,000 in aid under the

CARES Act, approximately \$687,000 through the PPP loan program, and approximately \$57,000 under the PPPHCEA.

The extent of the COVID-19 pandemic's effect on the Nation's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Nation's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective health care procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of benefit applicants as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Nation cannot estimate the length or severity of the effect of the pandemic on the Nation's operations. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates.

Provider Relief Fund

During the year ended September 30, 2020, the Nation received approximately \$8,426,000 of distributions from the CARES Act Provider Relief Fund. CNHHS received a separate direct distribution from the CARES Act Provider Relief Fund of approximately \$237,000. These distributions from the Provider Relief Fund are not subject to repayment, provided the Nation is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Nation and CNHHS are accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the uncertainty associated with recording these amounts as revenue, the Nation and CNHHS did not report any of these amounts as revenue for the year ended September 30, 2020. The unrecognized amount of Provider Relief Fund distributions is recorded as part of unearned revenue in the accompanying balance sheets.

Subsequent to year-end, HHS issued guidance on the use of payments from the Provider Relief Fund. The Nation considers the guidance issued subsequent to year-end to be substantive changes in guidance rather than clarifications of guidance existing at September 30, 2020.

CHP received a separate distribution of the CARES Act Provider Relief Fund totaling approximately \$657,000 that was passed through from the Tahlequah Hospital Authority (joint owner). Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on CHP's operating revenues and expenses through June 30, 2020, CHP recognized the full allocation; the payments are reflected as relief fund allocation in the accompanying basic financial statements.

On September 19, 2020, subsequent to the year-end of CHP, HHS issued additional guidance on the use of payments from the Provider Relief Fund through the "Post-Payment Notice of Reporting Requirements." This guidance establishes a two-step approach for reporting use of Provider Relief Fund payments received. Recipients must first identify incremental health care-related expenses attributable to coronavirus. Payments not fully expended on expenses may be applied towards the negative change in patient care

revenue from calendar year 2019 to 2020. CHP considers the guidance issued subsequent to year-end to be substantive changes in guidance rather than clarifications of guidance existing at June 30, 2020.

Paycheck Protection Program (PPP) Loan

The CARES Act and other subsequent legislation also provides a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Payroll Protection Program (PPP) loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. CNHHS received a PPP loan of approximately \$687,000 in April 2020. The loan has an interest rate of 1%, with monthly payments of approximately \$39,000 starting seven months after the receipt of the loan. The loan, if not forgiven, matures in April 2022.

CNHHS is accounting for the PPP loan in accordance with GASB Statement No. 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The PPP loan is included on the accompanying balance sheet as long-term debt in accordance with the term of the PPP loan agreement.

The Nation and its component units will continue to monitor their compliance with the terms and conditions of the CARES Act and numerous federal agencies guidance that continues to be released, as well as the effect of the pandemic on their revenues and expenses.

18. RELATED PARTY TRANSACTIONS

The Nation requires monthly dividend payments from component units, organized under the Nation's laws, based on a percentage of net income (37% as of September 30, 2020). Dividend payments to the Nation by component units totaled \$53,858,000 (which includes an accrual of \$14,192,000) at September 30, 2020.

Cherokee Nation Businesses, LLC (CNB)

Contributions of \$2,375,000 in 2020 in support of the Cherokee Nation Gaming Commission and Cherokee Nation Marshal Services.

Contributions of \$4,909,000 in 2020 in support of various Cherokee Nation programs.

Contributions of \$5,987,000 in 2020 in support of Cherokee Nation economic development and cultural development activities.

Contributions of \$689,000 in 2020 for Cherokee Nation capital asset acquisitions.

Contributions of \$540,000 in 2020 in support of the Cherokee Nation Foundation.

CNB provides funding for cultural development activities on behalf of the Nation. These activities involve restoring Cherokee landmarks as well as engaging in campaigns to inform the public of the Nation's history and making contributions to communities within the Nation. During 2020, CNB incurred \$4,258,000 in operating and employee costs related to cultural development activities, which are included in expenses in the combining statement of revenues, expenses and changes in net position – component units.

CNB operates the gift shop at the Cherokee Heritage Center. The operations of the gift shop are included in the accompanying financial statements and resulted in a net loss of \$204,000 in 2020. In addition to operating the gift shop, CNB provides marketing services for the Cherokee Heritage Center. The cost of the marketing services totaled \$216,000 for 2020 and is included in salaries and wages and other charges and services in the combining statement of revenues, expenses and changes in net position – component units.

CNE also collects a tribal tax on food and beverage, tobacco, merchandise and other retail sales, which is remitted to the Cherokee Nation Tax Commission. CNE remitted tribal taxes of \$2,517,000 in 2020. These tax collections are not recorded as revenues or expenses in the combining statement of revenues, expenses and changes in net position – component units.

CNE has entered into a management agreement with the Nation for use of land in Tahlequah to operate a convenience store. The term of the agreement is 25 years, and the agreement is renewable for an additional 25 years at the cost of \$1 per year.

During 2013, the board of directors of CNB and related entities approved the funding of up to \$100,000,000 on the Nation's medical facilities. Additional funding commitments of \$9,600,000 was added as of September 30, 2014, and \$70,000,000 as of September 30, 2019, bringing the total CNB commitment to \$179,600,000. In 2020, CNB transferred \$20,554,000 on these projects. As of September 30, 2020, CNB has transferred a total of \$81,121,000 of medical facilities to the Nation, leaving a remaining commitment of \$98,479,000 at September 30, 2020. As of September 30, 2020, in light of the COVID-19 pandemic, the Nation has relieved CNB from any further commitments related to these medical facilities.

During 2019, the board of directors for CNB and related entities approved the funding of \$30,000,000 for housing rehabilitation, creation of additional jobs in construction and related fields, improving the long-term financial and environmental sustainability of Cherokee Community Buildings and to, otherwise, provide for the welfare of the Cherokee citizens. In 2020, \$3,168,000 was transferred to the Nation related to this commitment. The remaining funding commitment of \$26,832,000 at September 30, 2020 is expected to take place through 2022.

Housing Authority of the Cherokee Nation of Oklahoma (HACN)

The HACN has recorded \$23,558,000 in grant revenue in 2020 which is the result of pass through funding from the Nation in relation to the Nation's HUD funding. Additionally, the HACN has recorded grant revenue totaling \$51,000 related to self governance funding received from the Nation for use in providing housing rehabilitation services. Also, the HACN has recorded as "Other Income" \$5,303,000 of non-federal funds received from the Nation for use in providing housing services.

Cherokee Health Partners, LLC (CHP)

CHP declared \$1,459,000 in noncash distributions to the Nation during the year ended June 30, 2020.

Cherokee National Historical Society, Inc (CNHS)

In November 2005, the Nation, CNE, and the CNHS entered into a MOA to further the parties shared mission to preserve the culture and history of the Cherokees by assigning duties to the party that can best perform those duties. Beginning in 2016, operations associated with the gift shop at the Cherokee Heritage Center were recorded in the operating results of CNB rather than CNE. CNHS remained responsible for all charitable fundraising, maintaining memberships, operating the museum and teaching the Cherokee Humanities Course. In 2020, CNB provided marketing services, including group sales, and operation of the museum store at a net cost to CNB of \$216,000.

The Nation performed all remaining operational and educational functions such as accounting, purchasing, contracts, human resources, information technology, and facilities maintenance. The MOA is renewable annually upon agreement of the entities involved. For fiscal year 2020, the Nation's general fund included operational expenses of \$597,000 for CNHS.

On September 24, 2020, CNHS signed over the Cherokee archives and collections to the Nation.

19. COMMITMENTS AND CONTINGENCIES

Federal Grants

In the normal course of operations, the Nation and certain of its component units receive significant federal funding from various federal agencies. The ability of the Nation to continue receiving this funding could be impacted by federal budgetary policies and practices. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent with the granting of funds. Management does not believe any liability for reimbursement which may arise as the result of these audits will be material.

Construction Commitments

At September 30, 2020, the Nation had a construction project underway for the building of an outpatient health facility in Tahlequah, OK. The open commitments for that construction project at September 30, 2020 totaled \$25,000. These remaining costs are expected to be incurred during 2021. The construction for the outpatient health facility in Tahlequah was substantially completed in 2019.

At September 30, 2020, the Nation had various construction projects underway using Coronavirus Relief Funds. The open commitments for those construction projects at September 30, 2020 totaled \$1,418,000. These remaining costs are expected to be incurred during 2021.

Other Legal Contingencies

The Nation and its component units are party to various legal proceedings, which normally occur, in governmental operations. The legal proceedings, in the opinion of management, based on available information, are not likely to have a material adverse impact on the affected funds of the Nation.

CNB Matters

CNE is licensed to conduct Class II gaming operations as well as an expanded variety of gaming as allowed under the Tribal Gaming Compact between the Nation and the State of Oklahoma and related laws. It is common in the industry to introduce new games and gaming technology that must be evaluated to determine whether such games meet the requirements of Class II gaming or the requirements of the Compact. This determination can be challenged by several parties, including, but not limited to, the gaming commissions that license the operations of the gaming facilities as well as various federal regulatory agencies and the State of Oklahoma. CNE offers electronic games and table games that management believes are permitted under Class II gaming restrictions or the Compact; however, the permissibility and/or the classification of these games can and may be challenged by licensing and governing authorities that exercise jurisdiction over these activities.

CNE has entered into long-term agreements with various local governments which call for the provision of services (police, fire, water, power, etc.) to CNE facilities. These agreements often have terms ranging from 5 to 15 years. The annual aggregate payments under these agreements are not considered material to the operations of CNE.

CNE has entered into motor fuel marketing agreements with a vendor to purchase motor fuel products for sale at the Roland Travel Plaza in Roland, Oklahoma. Total purchases under this agreement were \$3,450,000 in 2020.

In 2004, CNE acquired WRD from an unrelated party. As part of the purchase price, CNE agreed to pay an additional \$1,250,000 when, and if, the property is placed into Trust Status with the BIA and could be required to make additional payments based on the cash flows generated by the operation of the facility. These additional payments will be capitalized when, and if, made and depreciated, as applicable, over the remaining economic life of the property. No additional payments as described above have been required since the acquisition.

In November 2008, CNE entered into a licensing agreement with Hard Rock Hotel Holding, LLC and HRHH IP, LLC. Under the terms of the agreement, CNE branded its Catoosa property under the Hard Rock Hotel and Casino name effective August 2009. CNE is required to make monthly license payments based on a percentage of Catoosa property revenues, as defined in the agreement. CNE recognizes the portion of the minimum fee paid each month that exceeds the calculated amount as an intangible asset. The intangible asset is being amortized over the original 12-year life of the license agreement. In 2019, the licensing agreement was extended for an additional 10-year period ending in 2028. The minimum amount of fees paid is expensed and included in operating expense in the combining statement of revenues, expenses and changes in net position – component units. In addition to paying a license fee under the Hard Rock license agreement, CNE is also required to make annual lease payments for memorabilia displayed throughout the Catoosa facility. As a requirement to the agreement, CNE is also required to meet certain operational and capital standards. As of September 30, 2020, CNE believes it is in compliance with the agreement.

EDC has entered into an indemnification agreement in connection with its NMTC activity that subjects it to various recapture events as defined. The exposure under two of these events is limited to a multiple of fees paid to the company. There is no maximum amount for the third type of event, though it is limited to the Recapture Amount defined in the indemnity agreement.

HACN Matters

The HACN has provided a “Tax Credit Recapture Guarantee” to the Limited Partners of Jay Senior Housing, Stilwell Senior Housing, Northview Estates and the Wisdom Keepers Limited Partnerships (third party syndicators of the tax credits) should the IRS disallow the use of any of the tax credits being marketed to third party investors by the Limited Partners. The aggregate tax credits provided through these partnerships was approximately \$13,600,000. The HACN has also provided an “Operating Deficit Guarantee” which would require the Housing Authority to provide capital for operations should the need arise. To date, the HACN has not been required to provide any “Deficit Guarantee” funding, and management of the HACN does not believe funding for Deficit Guarantee or Tax Credit Recapture will be required in the future.

Loan Guarantees

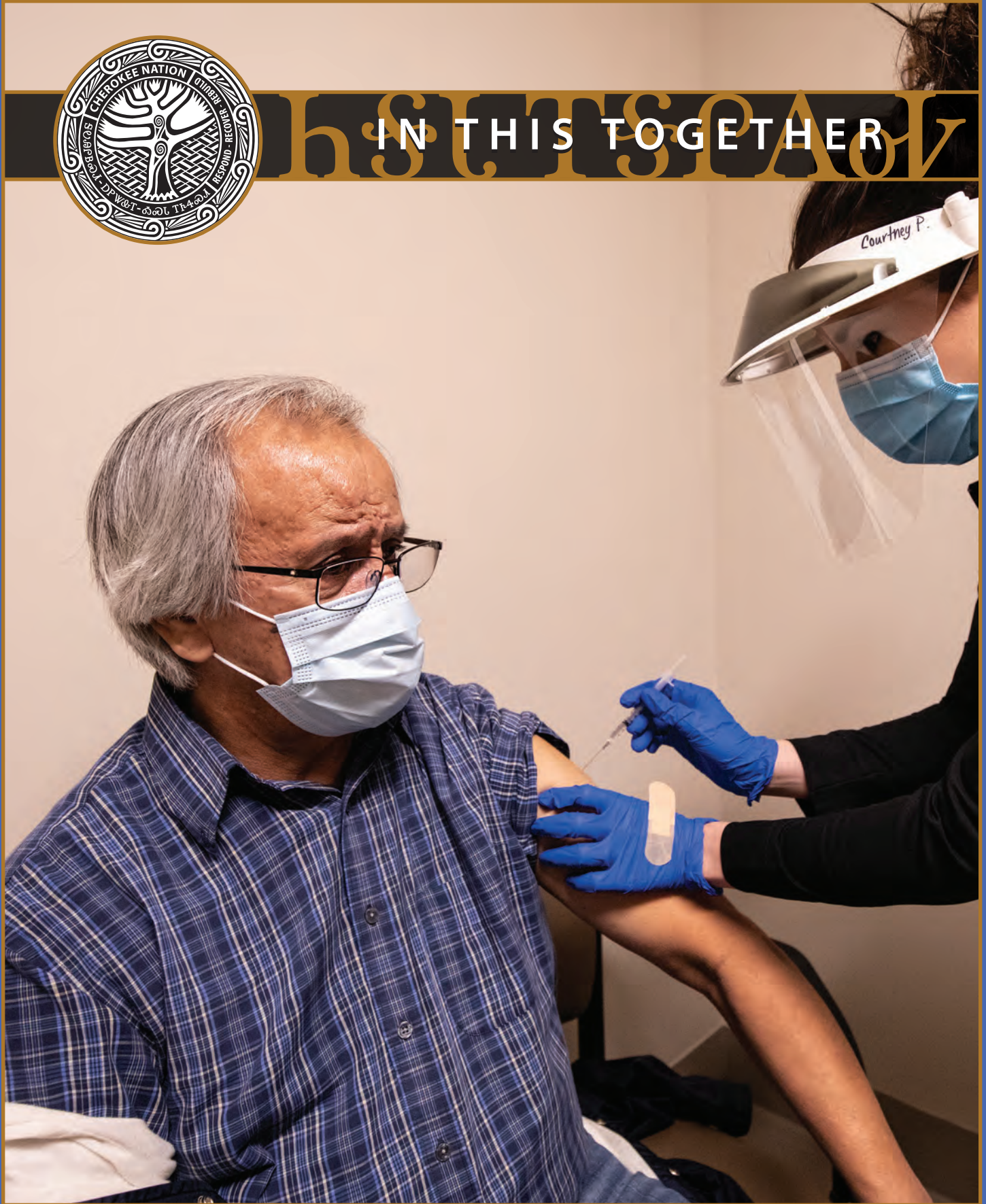
The Nation approved loan guarantees for CNHHS up to \$786,000.

20. SUBSEQUENT EVENTS

The Cherokee Heritage Center Act of 2020 (CHC Act) authorized the CNHS to be dissolved and a successor CNHS to be created under the laws of the Cherokee Nation in 2021. The CHC Act also authorized the transfer of Cherokee archives and collections from the CNHS to Cherokee Nation.



IN THIS TOGETHER



Other Supplementary Information



IN THIS TOGETHER



Nonmajor Governmental Funds

Governmental Fund Types – Governmental funds are those through which most governmental functions of the Nation are financed. The acquisition, use and balances of the Nation’s expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. Governmental fund types use the current financial resources measurement focus. This measurement focus is based upon the receipt and disbursement of current available financial resources rather than upon net income.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of government grants or other specific revenue sources that are restricted by law or administrative action to finance particular functions or activities of the Nation. These funds include:

- **Self Governance DOI - Other** – Established to account for funds received under the Nation’s self governance compact with the United States Government. These funds are used to administer a number of programs under the Department of Interior relating to education, health and welfare, and tribal government within the Nation’s tribal jurisdictional service area.
- **Sequoyah Education** – Established to account for grant funds received from the Department of the Interior and the Department of Education to help fund the education programs of Sequoyah High School.
- **Talking Leaves Job Corps** – Established to account for funds received from the Department of Labor for counseling, training and job placement of disadvantaged youth.
- **Diabetes** – Established to account for Department of Health and Human Services Diabetes Grant funds used to purchase diabetic medicines and supplies, promote awareness and provide assistance to diabetic patients.
- **Food Distribution** – Established to account for Department of Agriculture food products provided to the Nation and grant funds used to pay administrative and program costs of a program which provides food to eligible Indian families.
- **Women, Infants, and Children** – Established to account for grant funds received from the Department of Agriculture to supply supplemental food and nutrition education to women and children at nutritional risk.
- **Head Start** – Established to account for grant funds from the Department of Health and Human Services to provide comprehensive health, educational, nutritional, social, and other services primarily to economically disadvantaged preschool Indian children.
- **Self Governance DOI - Roads** – Established to account for funds received from the Department of the Interior to expand the Nation’s transportation activities such as planning, designing, constructing, and maintaining transportation facilities. Roads constructed with DOI funds are not capitalized by the Nation as they are transferred to other governmental agencies upon completion.
- **HUD** – Established to account for grant funds received from the Department of Housing and Urban Development (HUD) to improve living conditions and renovate homes of Indian residents.
- **Other Grants** – Established to account for various sources of grant funds used to fund specific program activities.
- **Tribal Judgment Funds** – Established to account for monies received by the Nation from the settlement of disputes with the United States Government. The judgment funds are expended in accordance with plans for use and distribution adopted by the Nation and approved as applicable, by the DOI. The judgment funds are held and invested by the DOI Office of Trust Fund Management (OTFM) on behalf and for the benefit of the Nation.
- **Tribal Trusts** – Established to account for income received from external users of tribal lands, such as oil and gas royalties. The DOI OTFM administers these funds which may be expended upon request and approval by the DOI.

Capital Projects Fund – Established in 2006 to account for financial resources for major capital acquisition and construction.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes supporting the Nation’s programs.

- **Sequoyah Endowment** – Established to account for funds endowed from the Louise K. Green-Matthews Grant in Environmental Science. The income from the grant is to be used to encourage Cherokee students of at least one-quarter blood quantum to engage in furthering their education in the Environmental Science field.
- **Gammon Education Trust** – Established to account for funds endowed by Glenn L. and Faye V. Gammon Trust. The income from this education trust may be used to provide tuition and related educational assistance while students attend any accredited college or university located in the continental United States. The Cherokee students must be at least one-quarter blood quantum.

CHEROKEE NATION
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020
 (Dollars in Thousands)

	Special Revenue Funds											Capital Projects	Permanent Funds		Total Nonmajor Governmental Funds			
	Self Governance DOI-Other	Sequoyah Education	Talking Leaves Job Corps	Diabetes	Food Distribution	Women, Infants, & Children	Head Start	Self Governance DOI Roads	HUD	Other Grants	Tribal Judgment Funds	Tribal Trusts	Total	Capital Projects Fund		Sequoyah Endowment	Gammon Education Trust	Total
ASSETS																		
Cash and cash equivalents	\$ 19,130	\$ 10,390	\$ 23	\$ -	\$ -	\$ -	\$ -	\$ 4,122	\$32,948	\$ 5,479	\$ 2,836	\$ 763	\$ 75,691	\$ -	\$ -	\$ -	\$ -	\$ 75,691
Investments	-	-	-	-	-	-	-	-	-	-	11,268	4,368	15,636	-	-	-	-	15,636
Receivables, net	2	-	202	-	264	172	-	-	3,651	9,297	87	37	13,712	-	-	-	-	13,712
Due from other funds	-	-	-	-	-	-	309	394	2,131	-	-	9	2,843	84,112	-	-	-	86,955
Inventories	-	-	-	-	1,988	-	-	-	-	-	-	-	1,988	-	-	-	-	1,988
Other current assets	-	-	-	540	-	549	-	-	-	-	-	-	1,089	-	-	-	-	1,089
Restricted cash, cash equivalents and investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	222	305	527	527
Long term notes receivable	-	-	-	-	-	-	-	-	1,372	-	-	-	1,372	-	-	-	-	1,372
Total assets	\$ 19,132	\$ 10,390	\$ 225	\$ 540	\$ 2,252	\$ 721	\$ 309	\$ 4,516	\$40,102	\$ 14,776	\$ 14,191	\$ 5,177	\$ 112,331	\$ 84,112	\$ 222	\$ 305	\$ 527	\$ 196,970
LIABILITIES AND FUND BALANCES																		
Liabilities:																		
Accrued liabilities	\$ -	\$ -	\$ -	\$ 7	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ -	\$ -	\$ 17	\$ 1,490	\$ -	\$ -	\$ -	\$ 1,507
Due to other funds	4,533	504	225	424	260	377	-	-	-	1,685	1,814	-	9,822	175	-	1	1	9,988
Due to component unit	-	-	-	-	-	-	-	-	4,749	-	-	-	4,749	-	-	-	-	4,749
Other liabilities	-	-	-	-	-	-	-	-	1	-	-	-	1	-	-	-	-	1
Unearned revenue	14,599	9,855	-	109	1,989	344	309	4,516	31,546	5,888	-	-	69,155	26,194	-	-	-	95,349
Total liabilities	19,132	10,359	225	540	2,252	721	309	4,516	36,296	7,580	1,814	-	83,744	27,859	-	1	1	111,604
Deferred inflows of resources:																		
Unavailable revenue - notes receivables	-	-	-	-	-	-	-	-	1,372	-	-	-	1,372	-	-	-	-	1,372
Total deferred inflows of resources	-	-	-	-	-	-	-	-	1,372	-	-	-	1,372	-	-	-	-	1,372
Fund balances:																		
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134	291	425	425
Restricted	-	31	-	-	-	-	-	-	2,434	7,196	12,377	5,177	27,215	-	88	13	101	27,316
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	56,253	-	-	-	56,253
Total fund balances	-	31	-	-	-	-	-	-	2,434	7,196	12,377	5,177	27,215	56,253	222	304	526	83,994
Total liabilities and fund balances	\$ 19,132	\$ 10,390	\$ 225	\$ 540	\$ 2,252	\$ 721	\$ 309	\$ 4,516	\$40,102	\$ 14,776	\$ 14,191	\$ 5,177	\$ 112,331	\$ 84,112	\$ 222	\$ 305	\$ 527	\$ 196,970

CHEROKEE NATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (Dollars in Thousands)

	Special Revenue Funds								Capital Projects			Permanent Funds			Total Nonmajor Governmental Funds			
	Self Governance DOI-Other	Sequoyah Education	Talking Leaves Job Corps	Diabetes	Food Distribution	Women, Infants, & Children	Head Start	Self Governance DOI Roads	HUD	Other Grants	Tribal Judgment Funds	Tribal Trusts	Total	Capital Projects Fund		Sequoyah Endowment	Gammon Education Trust	Total
Revenues:																		
Intergovernmental	\$ 12,024	\$ 7,203	\$ 6,231	\$ 7,186	\$ 13,913	\$ 5,374	\$ 9,417	\$ 138	\$29,957	\$40,310	\$ -	\$ -	\$ 131,753	\$ -	\$ -	\$ -	\$ -	\$ 131,753
Interest	91	55	-	-	-	-	-	39	245	42	315	121	908	-	3	3	6	914
Third party revenues	-	-	-	-	-	-	-	-	-	1,826	-	-	1,826	-	-	-	-	1,826
Other	17	8	1	-	86	-	2,281	-	439	1,825	-	32	4,689	22,037	-	-	-	26,726
Total revenues	<u>12,132</u>	<u>7,266</u>	<u>6,232</u>	<u>7,186</u>	<u>13,999</u>	<u>5,374</u>	<u>11,698</u>	<u>177</u>	<u>30,641</u>	<u>44,003</u>	<u>315</u>	<u>153</u>	<u>139,176</u>	<u>22,037</u>	<u>3</u>	<u>3</u>	<u>6</u>	<u>161,219</u>
Expenditures:																		
Current operating:																		
Tribal government	5,209	-	-	-	-	-	-	-	-	634	(500)	(144)	5,199	5,829	-	-	-	11,028
Health services	-	-	-	7,186	-	5,374	-	-	-	15,948	-	-	28,508	-	-	-	-	28,508
Education services	2,855	7,827	6,208	-	-	-	11,117	-	-	2,849	-	-	30,856	-	-	1	1	30,857
Human services	3,285	-	-	-	14,679	-	-	-	11	15,434	-	-	33,409	-	-	-	-	33,409
Community services	708	-	-	-	-	-	-	138	30,322	4,789	-	-	35,957	-	-	-	-	35,957
Capital outlay	63	-	24	-	121	-	581	-	-	4,055	-	-	4,844	25,539	-	-	-	30,383
Total expenditures	<u>12,120</u>	<u>7,827</u>	<u>6,232</u>	<u>7,186</u>	<u>14,800</u>	<u>5,374</u>	<u>11,698</u>	<u>138</u>	<u>30,333</u>	<u>43,709</u>	<u>(500)</u>	<u>(144)</u>	<u>138,773</u>	<u>31,368</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>170,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12</u>	<u>(561)</u>	<u>-</u>	<u>-</u>	<u>(801)</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>308</u>	<u>294</u>	<u>815</u>	<u>297</u>	<u>403</u>	<u>(9,331)</u>	<u>3</u>	<u>2</u>	<u>5</u>	<u>(8,923)</u>
Other financing sources (uses):																		
Insurance recoveries, net	-	-	-	-	2	-	-	-	-	54	-	-	56	-	-	-	-	56
Transfers in	79	539	-	-	799	-	-	-	-	1,078	-	-	2,495	53,925	-	-	-	56,420
Transfers out	(91)	-	-	-	-	-	-	(39)	-	(117)	-	-	(247)	(782)	-	-	-	(1,029)
Total other financing sources (uses)	<u>(12)</u>	<u>539</u>	<u>-</u>	<u>-</u>	<u>801</u>	<u>-</u>	<u>-</u>	<u>(39)</u>	<u>-</u>	<u>1,015</u>	<u>-</u>	<u>-</u>	<u>2,304</u>	<u>53,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,447</u>
Net change in fund balances	-	(22)	-	-	-	-	-	-	308	1,309	815	297	2,707	43,812	3	2	5	46,524
Fund balance, October 1, 2019	-	53	-	-	-	-	-	-	2,126	5,887	11,562	4,880	24,508	12,441	219	302	521	37,470
Fund balance, September 30, 2020	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,434</u>	<u>\$ 7,196</u>	<u>\$ 12,377</u>	<u>\$ 5,177</u>	<u>\$ 27,215</u>	<u>\$ 56,253</u>	<u>\$ 222</u>	<u>\$ 304</u>	<u>\$ 526</u>	<u>\$ 83,994</u>



IN THIS TOGETHER



Nonmajor Enterprise Funds

Enterprise Funds – Enterprise funds are used to account for the Nation’s ongoing organizations and activities which are similar to those often found in the private sector where the intent is that costs of providing goods and services be recovered through user charges. The measurement focus of the Enterprise Funds, the flow of economic resources, is based upon the determination of change in net position, net position and cash flows. The nonmajor enterprise funds of the Nation include:

- **Tsa-La-Gi Apartments** – Utilized to account for the operations of the Nation’s federally subsidized low-income housing apartment complex, whose operating focus is to provide housing for qualified applicants and to recover costs of operations.
- **CN Sanitary Landfill** – Utilized to account for the solid waste landfill operations and closure/postclosure for the landfill located near Stilwell, Oklahoma.
- **EDTA** - Established by Tribal Council Legislative Act 36-89 as a mechanism to promote economic development. Its mission is to provide opportunities for income generation through economic development, to provide loans for business creation/expansion, and to provide loans to qualified individuals whom have traditionally been denied by conventional lending sources.

CHEROKEE NATION

COMBINING STATEMENT OF NET POSITION - NONMAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2020

(Dollars in Thousands)

	<u>Tsa-La-Gi Apartments</u>	<u>CN Sanitary Landfill</u>	<u>EDTA</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,067	\$ 891	\$ 4,810	\$ 6,768
Receivables, net	-	289	4	293
Notes receivable, current	-	-	1,559	1,559
Other current assets	2	-	-	2
Total current assets	<u>1,069</u>	<u>1,180</u>	<u>6,373</u>	<u>8,622</u>
Noncurrent assets:				
Restricted cash, cash equivalents and investments	41	3,829	-	3,870
Long-term notes receivable	-	-	8,070	8,070
Capital assets, net	213	3,612	-	3,825
Total noncurrent assets	<u>254</u>	<u>7,441</u>	<u>8,070</u>	<u>15,765</u>
Total assets	<u>1,323</u>	<u>8,621</u>	<u>14,443</u>	<u>24,387</u>
LIABILITIES				
Current liabilities:				
Accrued liabilities	17	16	-	33
Current portion of long-term debt	-	-	66	66
Current portion of capital leases	-	363	-	363
Due to other funds	80	-	26	106
Other current liabilities	30	-	18	48
Total current liabilities	<u>127</u>	<u>379</u>	<u>110</u>	<u>616</u>
Noncurrent liabilities:				
Long-term due to other funds	-	3,146	-	3,146
Long-term debt	-	-	737	737
Capital leases	-	1,224	-	1,224
Other liabilities	-	6,666	-	6,666
Total noncurrent liabilities	<u>-</u>	<u>11,036</u>	<u>737</u>	<u>11,773</u>
Total liabilities	<u>127</u>	<u>11,415</u>	<u>847</u>	<u>12,389</u>
NET POSITION				
Net investment in capital assets	213	2,025	-	2,238
Unrestricted (deficit)	983	(4,819)	13,596	9,760
Total net position (deficit)	<u>\$ 1,196</u>	<u>\$ (2,794)</u>	<u>\$ 13,596</u>	<u>\$ 11,998</u>

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(Dollars in Thousands)**

	<u>Tsa-La-Gi Apartments</u>	<u>CN Sanitary Landfill</u>	<u>EDTA</u>	<u>Total</u>
Operating revenues:				
Property rentals	\$ 621	\$ -	\$ -	\$ 621
Charges for services and goods	-	1,061	-	1,061
Interest income, loans	-	-	468	468
Other	4	-	96	100
Total operating revenues	<u>625</u>	<u>1,061</u>	<u>564</u>	<u>2,250</u>
Operating expenses:				
Salaries and wages	130	475	-	605
Other services and charges	297	3,292	300	3,889
Materials and supplies	18	18	-	36
Depreciation	19	653	-	672
Total operating expenses	<u>464</u>	<u>4,438</u>	<u>300</u>	<u>5,202</u>
Operating income (loss)	<u>161</u>	<u>(3,377)</u>	<u>264</u>	<u>(2,952)</u>
Nonoperating revenues (expenses):				
Interest income	2	47	4	53
Interest expense	-	(45)	(9)	(54)
(Loss) on sale of fixed assets	-	(1)	-	(1)
Net nonoperating revenues (expenses)	<u>2</u>	<u>1</u>	<u>(5)</u>	<u>(2)</u>
Income (loss) before transfers	163	(3,376)	259	(2,954)
Transfers in	-	350	102	452
Change in net position	163	(3,026)	361	(2,502)
Total net position - beginning	<u>1,033</u>	<u>232</u>	<u>13,235</u>	<u>14,500</u>
Total net position (deficit) - ending	<u>\$ 1,196</u>	<u>\$ (2,794)</u>	<u>\$ 13,596</u>	<u>\$ 11,998</u>

CHEROKEE NATION

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

(Dollars in Thousands)

	Tsa-La-Gi Apartments	CN Sanitary Landfill	EDTA	Total
Cash flows from operating activities:				
Receipts from customers	\$ 621	\$ 1,083	\$ -	\$ 1,704
Payments to suppliers	(328)	(455)	(299)	(1,082)
Payments to employees	(130)	(475)	-	(605)
Internal activity - payments from other funds	35	13	-	48
Interest received on loans	-	-	468	468
Other receipts	4	-	96	100
Net cash provided by operating activities	<u>202</u>	<u>166</u>	<u>265</u>	<u>633</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	350	102	452
Principal paid on notes payable	-	-	(66)	(66)
Interest paid on notes payable	-	-	(9)	(9)
Net cash provided by noncapital financing activities	<u>-</u>	<u>350</u>	<u>27</u>	<u>377</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	(238)	-	(238)
Principal paid on capital debt and leases	-	(658)	-	(658)
Interest paid on capital debt and leases	-	(45)	-	(45)
Net cash (used for) capital and related financing activities	<u>-</u>	<u>(941)</u>	<u>-</u>	<u>(941)</u>
Cash flows from investing activities:				
Interest received	2	47	4	53
Increase in notes receivable, net	-	-	1,013	1,013
Net cash provided by investing activities	<u>2</u>	<u>47</u>	<u>1,017</u>	<u>1,066</u>
Net increase (decrease) in cash and cash equivalents	204	(378)	1,309	1,135
Cash and cash equivalents, October 1, 2019	<u>904</u>	<u>5,098</u>	<u>3,501</u>	<u>9,503</u>
Cash and cash equivalents, September 30, 2020	<u>\$ 1,108</u>	<u>\$ 4,720</u>	<u>\$ 4,810</u>	<u>\$ 10,638</u>
Cash and cash equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 1,067	\$ 891	\$ 4,810	\$ 6,768
Restricted cash, cash equivalents and investments	41	3,829	-	3,870
Total Cash and Cash Equivalents, September 30, 2020	<u>\$ 1,108</u>	<u>\$ 4,720</u>	<u>\$ 4,810</u>	<u>\$ 10,638</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 161	\$ (3,377)	\$ 264	\$ (2,952)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	19	653	-	672
Change in assets and liabilities:				
Receivables, net	-	22	(2)	20
Accounts and other payables	22	2,868	3	2,893
Net cash provided by operating activities	<u>\$ 202</u>	<u>\$ 166</u>	<u>\$ 265</u>	<u>\$ 633</u>
Noncash investing, capital and financing activities:				
Capital lease incurred for purchase of capital equipment	\$ -	\$ 1,883	\$ -	\$ 1,883



IN THIS TOGETHER



Internal Service Funds

Internal Service funds are used to account for the financing of goods and services provided by one fund to other funds within the Nation on a cost reimbursement basis.

- **Internal Leases** is used to account for the cost to maintain certain buildings for use by other funds of the Nation.
- **Fringe Pool** is used to account for the cost of fringe benefits, including the Nation's self-insured health care benefits and workers' compensation benefits, used by other funds of the Nation.
- **Indirect Cost Pool** is used to account for the cost of providing certain services for a common or joint purpose benefiting more than one cost objective and not readily assignable to the cost objectives specifically benefitted, such as accounting, human resources and acquisition management, to other funds of the Nation.

CHEROKEE NATION

COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2020

(Dollars in Thousands)

	<u>Internal Leases</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 118	\$ 100	\$ 218
Receivables, net	-	609	63	672
Due from other funds	-	32,470	-	32,470
Due from component units	-	312	6	318
Inventories	-	-	210	210
Other current assets	-	848	1,613	2,461
Total current assets	<u>-</u>	<u>34,357</u>	<u>1,992</u>	<u>36,349</u>
Noncurrent assets:				
Capital assets, net	<u>23,155</u>	<u>-</u>	<u>912</u>	<u>24,067</u>
Total noncurrent assets	<u>23,155</u>	<u>-</u>	<u>912</u>	<u>24,067</u>
Total assets	<u>23,155</u>	<u>34,357</u>	<u>2,904</u>	<u>60,416</u>
LIABILITIES				
Current liabilities:				
Accrued liabilities	-	14,842	1,193	16,035
Due to other funds	630	-	3,086	3,716
Compensated absences	-	11,919	-	11,919
Other current liabilities	-	4,050	-	4,050
Total current liabilities	<u>630</u>	<u>30,811</u>	<u>4,279</u>	<u>35,720</u>
Total liabilities	<u>630</u>	<u>30,811</u>	<u>4,279</u>	<u>35,720</u>
NET POSITION				
Net investment in capital assets	23,155	-	912	24,067
Unrestricted (deficit)	<u>(630)</u>	<u>3,546</u>	<u>(2,287)</u>	<u>629</u>
Total net position (deficit)	<u>\$ 22,525</u>	<u>\$ 3,546</u>	<u>\$ (1,375)</u>	<u>\$ 24,696</u>

CHEROKEE NATION

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(Dollars in Thousands)**

	<u>Internal Leases</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
Operating revenues:				
Property rentals	\$ 5	\$ -	\$ -	\$ 5
Charges for services and goods	5,013	104,636	44,141	153,790
Other	48	-	36	84
Total operating revenues	<u>5,066</u>	<u>104,636</u>	<u>44,177</u>	<u>153,879</u>
Operating expenses:				
Salaries and wages	2,037	94,156	28,631	124,824
Other services and charges	1,747	208	16,483	18,438
Materials and supplies	176	-	1,986	2,162
Depreciation	996	-	419	1,415
Total operating expenses	<u>4,956</u>	<u>94,364</u>	<u>47,519</u>	<u>146,839</u>
Operating income (loss)	<u>110</u>	<u>10,272</u>	<u>(3,342)</u>	<u>7,040</u>
Nonoperating revenues:				
Gain on sale of capital assets	-	-	16	16
Net nonoperating revenues	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>
Income (loss) before transfers	110	10,272	(3,326)	7,056
Transfers in	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
Change in net position	110	10,272	(3,314)	7,068
Total net position (deficit) - beginning	<u>22,415</u>	<u>(6,726)</u>	<u>1,939</u>	<u>17,628</u>
Total net position (deficit) - ending	<u>\$ 22,525</u>	<u>\$ 3,546</u>	<u>\$ (1,375)</u>	<u>\$ 24,696</u>

CHEROKEE NATION

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2020 (Dollars in Thousands)

	<u>Internal Leases</u>	<u>Fringe Pool</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers - other funds	\$ 5,018	\$ 109,895	\$ 44,392	\$ 159,305
Payments to suppliers	(1,923)	-	(22,010)	(23,933)
Payments to employees	(2,037)	(91,065)	(28,631)	(121,733)
Internal activity - payments from other funds	-	-	6,138	6,138
Internal activity - payments to other funds	(1,064)	(19,458)	-	(20,522)
Internal activity - payments from component units	-	735	113	848
Other receipts	48	-	36	84
Net cash provided by operating activities	<u>42</u>	<u>107</u>	<u>38</u>	<u>187</u>
Cash flows from noncapital financing activities				
Transfer from other funds	-	-	12	12
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(42)	-	(92)	(134)
Net cash (used for) capital and related financing activities	<u>(42)</u>	<u>-</u>	<u>(92)</u>	<u>(134)</u>
Net (decrease) in cash and cash equivalents	-	107	(42)	65
Cash and cash equivalents, October 1, 2019	-	11	142	153
Cash and cash equivalents, September 30, 2020	<u>\$ -</u>	<u>\$ 118</u>	<u>\$ 100</u>	<u>\$ 218</u>
Cash and cash equivalents consist of:				
Unrestricted cash and cash equivalents	\$ -	\$ 118	\$ 100	\$ 218
Total Cash and Cash Equivalents, September 30, 2020	<u>\$ -</u>	<u>\$ 118</u>	<u>\$ 100</u>	<u>\$ 218</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 110	\$ 10,272	\$ (3,342)	\$ 7,040
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	996	-	419	1,415
Change in assets and liabilities:				
Receivables, net	-	(18,391)	3,416	(14,975)
Inventories	-	-	23	23
Other current assets	-	(161)	(573)	(734)
Accounts and other payables	(1,064)	8,387	95	7,418
Net cash provided by operating activities	<u>\$ 42</u>	<u>\$ 107</u>	<u>\$ 38</u>	<u>\$ 187</u>



IN THIS TOGETHER



Budgetary Information

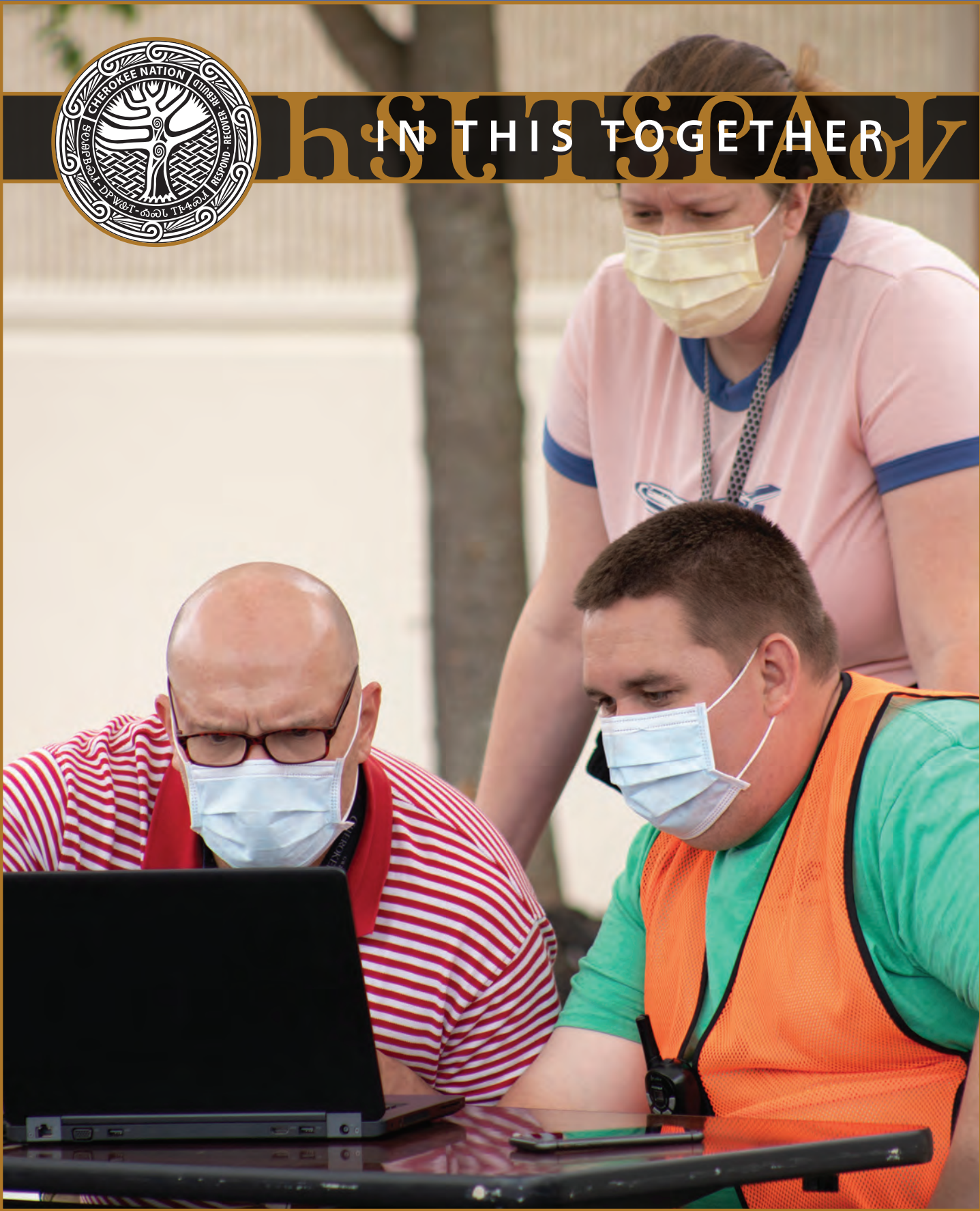
CHEROKEE NATION

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL (GAAP BASIS) - ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2020 (Dollars in Thousands)

	Budgeted Amounts			Variance with Final Budget over/(under)
	Original	Final	Actual	
Operating revenues:				
Property rentals	\$ 508	\$ 574	\$ 621	\$ 47
Charges for services and goods	830	830	1,061	231
Interest income, loans	479	479	468	(11)
Other	95	96	100	4
Total operating revenues	1,912	1,979	2,250	271
Operating expenses:				
Salaries and wages	841	853	605	(248)
Other services and charges	2,435	2,560	3,889	1,329
Materials and supplies	38	38	36	(2)
Depreciation	477	477	672	195
Total operating expenses	3,791	3,928	5,202	1,274
Operating income (loss)	(1,879)	(1,949)	(2,952)	(1,003)
Nonoperating revenues(expenses):				
Interest income	5	6	53	47
Interest expense	(21)	(21)	(54)	(33)
Gain/(loss) on sale of fixed assets	-	-	(1)	(1)
Net nonoperating revenue (expenses)	(16)	(15)	(2)	13
Income (loss) before transfer of operations and transfers	(1,895)	(1,964)	(2,954)	(990)
Transfers in	450	450	452	2
Change in net position	(1,445)	(1,514)	(2,502)	(988)
Total net position - beginning	14,500	14,500	14,500	-
Total net position - ending	\$ 13,055	\$ 12,986	11,998	\$ (988)
Adjustment to reflect the consolidation of Internal Service Funds activities related to Enterprise Funds			(50)	
Net position of Enterprise Funds			\$ 11,948	



IN THIS TOGETHER



Statistical Section

The Statistical Section provides financial statement users with additional detailed information as a context for understanding the information in the financial statements, notes to financial statements, and required supplementary information as it relates to the government's overall financial health.

- **Financial Trends** – Schedules which contain trend information to assist users in understanding how the government's financial position has changed over time.
- **Revenue Capacity** – Schedules which contain information relating to the government's most significant tax revenue sources.
- **Debt Capacity** – Schedules which present information to help the reader assess the government's current levels of outstanding debt and the ability to issue additional debt in the future.
- **Demographic and Economic Indicators** – Demographic and economic indicators to enable users to understand the environment in which the government operates. Reports have been compiled similarly to prior years' reporting to maintain consistency.
- **Operating Information** – Schedules which contain service and program data to help users understand how the information contained in the government's financial report relates to the governmental activities performed.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Nation implemented GASB 54 in 2011; the schedule presenting the new fund balance classifications include information beginning in that year. The Nation implemented GASB 61, 63 and 65 in 2013; the effects of the implementation of these standards have been included in the following schedules and prior years have not been adjusted.

CHEROKEE NATION

SCHEDULE OF NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS (Dollars in Thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net investment in capital assets	\$ 94,667	\$ 102,104	\$ 123,091	\$ 135,395	\$ 175,662	\$ 192,687	\$ 203,046	\$ 189,233	\$ 208,456	\$ 252,176
Restricted	95,234	100,282	746,032	797,337	822,166	876,372	940,814	1,029,195	1,142,623	1,220,364
Unrestricted	49,656	61,251	32,510	54,656	42,231	41,043	33,659	59,259	80,399	142,386
Total governmental activities net position	239,557	263,637	901,633	987,388	1,040,059	1,110,102	1,177,519	1,277,687	1,431,478	1,614,926
Business-type activities										
Net investment in capital assets	514	533	483	435	386	1,201	904	647	2,015	2,238
Restricted	304	362	279	339	287	287	287	-	-	-
Unrestricted	4,052	4,800	5,263	5,655	7,624	9,991	11,342	12,985	12,422	9,710
Total business-type activities net position	4,870	5,695	6,025	6,429	8,297	11,479	12,533	13,632	14,437	11,948
Primary government										
Net investment in capital assets	95,181	102,637	123,574	135,830	176,048	193,888	203,950	189,880	210,471	254,414
Restricted	95,538	100,644	746,311	797,676	822,453	876,659	941,101	1,029,195	1,142,623	1,220,364
Unrestricted	53,708	66,051	37,773	60,311	49,855	51,034	45,001	72,244	92,821	152,096
Total primary government net position	\$ 244,427	\$ 269,332	\$ 907,658	\$ 993,817	\$ 1,048,356	\$ 1,121,581	\$ 1,190,052	\$ 1,291,319	\$ 1,445,915	\$ 1,626,874

2011 and 2012 net position is not comparable to 2013 and subsequent years due to the adoption of GASB 61.

CHEROKEE NATION

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS (Dollars in Thousands)

(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
Tribal Government	\$ 29,678	\$ 29,428	\$ 28,885	\$ 26,464	\$ 27,535	\$ 32,382	\$ 41,010	\$ 33,171	\$ 44,454	\$ 159,294
Health Services	224,634	244,547	256,465	266,606	300,161	303,202	311,892	333,037	339,118	370,897
Education Services	52,348	54,061	57,076	59,753	65,059	68,678	65,666	66,958	71,235	96,994
Human Services	38,588	38,575	40,432	40,917	42,996	45,461	46,048	48,750	59,403	76,285
Community Services	63,814	68,391	72,344	82,796	88,575	85,626	78,290	79,903	89,261	86,591
Interest on long-term debt	1,722	1,569	1,414	1,274	1,140	1,046	943	2,385	4,794	4,802
Change in equity in component units	-	-	-	-	-	-	-	-	-	20,788
Total governmental activities expenses	410,784	436,571	456,616	477,810	525,466	536,395	543,849	564,204	608,265	815,651
Business-type activities:										
Tsa-La-Gi Apartments	459	473	492	488	488	523	651	655	544	459
Title VI Loan Fund	302	190	124	70	57	51	45	33	2	-
CN Sanitary Landfill	154	16	-	-	-	320	2,329	2,184	2,398	4,475
EDTA	67	46	124	232	155	17	55	250	269	309
Total business-type activities expenses	982	725	740	790	700	911	3,080	3,122	3,213	5,243
Total primary government expenses	\$ 411,766	\$ 437,296	\$ 457,356	\$ 478,600	\$ 526,166	\$ 537,306	\$ 546,929	\$ 567,326	\$ 611,478	\$ 820,894
Program Revenues										
Governmental activities:										
Charges for services:										
Tribal Government	\$ 4,116	\$ 4,458	\$ 4,535	\$ 4,778	\$ 4,651	\$ 4,869	\$ 5,208	\$ 5,709	\$ 5,591	\$ 4,385
Health Services	69,723	72,911	81,588	93,393	103,757	104,583	126,026	140,884	156,610	193,374
Community Services	799	714	12	8	7	12	17	15	16	16
Increase in equity in component units	-	-	49,740	52,251	31,749	48,999	40,789	65,720	48,758	-
Operating grants and contributions	283,563	283,446	277,312	283,024	296,053	311,972	315,952	333,446	391,164	658,455
Capital grants and contributions	1,369	366	5,036	2,054	36,954	17,046	7,347	1,141	26,285	22,207
Total governmental activities program revenues	359,570	361,895	418,223	435,508	473,171	487,481	495,339	546,915	628,424	878,437
Business-type activities:										
Charges for services:										
Tsa-La-Gi Apartments	508	521	511	528	533	547	601	598	614	627
Title VI Loan Fund	303	191	124	70	57	52	46	34	3	-
CN Sanitary Landfill	154	-	-	-	-	298	1,321	1,285	878	1,108
EDTA	170	194	240	256	315	354	513	641	683	567
Total business-type activities program revenues	1,135	906	875	854	905	1,251	2,481	2,558	2,178	2,302
Total primary government program revenues	\$ 360,705	\$ 362,801	\$ 419,098	\$ 436,362	\$ 474,076	\$ 488,732	\$ 497,820	\$ 549,473	\$ 630,602	\$ 880,739
Net (Expense)/Revenue										
Governmental activities	\$ (51,214)	\$ (74,676)	\$ (38,393)	\$ (42,302)	\$ (52,295)	\$ (48,914)	\$ (48,510)	\$ (17,289)	\$ 20,159	\$ 62,786
Business-type activities	153	181	135	64	205	340	(599)	(564)	(1,035)	(2,941)
Total primary government net expense	\$ (51,061)	\$ (74,495)	\$ (38,258)	\$ (42,238)	\$ (52,090)	\$ (48,574)	\$ (49,109)	\$ (17,853)	\$ 19,124	\$ 59,845
General Revenues and Other Changes in Net Position										
Governmental activities:										
Motor fuel tax	7,543	7,435	7,615	7,733	8,008	8,209	8,488	9,038	10,945	10,515
Motor vehicle tax	8,441	8,960	9,641	11,654	13,638	14,680	15,074	15,867	16,766	17,469
Tobacco tax	3,990	3,943	3,631	13,466	14,217	13,505	12,254	11,831	14,245	14,765
Sales tax	2,905	3,111	3,363	3,506	3,654	3,752	4,106	4,616	4,639	2,592
Grants and contributions not restricted										
to specific programs	13,394	11,676	12,844	12,503	12,740	14,494	12,122	11,292	12,776	13,173
Unrestricted investment earnings	1,393	1,141	864	634	531	726	1,615	3,177	7,433	5,167
Dividends from component units	30,074	56,806	44,109	47,392	45,448	50,139	49,444	55,983	60,734	53,858
Litigation settlement	-	-	-	-	1,839	8,349	8,236	36	-	-
Miscellaneous revenue	5,360	6,327	3,921	5,695	6,552	6,040	6,241	7,280	7,934	3,575
Special Items	-	-	-	25,813	-	-	-	-	-	-
Transfers	(806)	(643)	(194)	(339)	(1,661)	(937)	(1,653)	(1,663)	(1,840)	(452)
Total governmental activities	72,294	98,756	85,794	128,057	104,966	118,957	115,927	117,457	133,632	120,662
Business-type activities:										
Unrestricted investment earnings	2	1	1	1	2	-	-	-	-	-
Transfers	806	643	194	339	1,661	937	1,653	1,663	1,840	452
Transfer of operations	-	-	-	-	-	1,905	-	-	-	-
Total business-type activities	808	644	195	340	1,663	2,842	1,653	1,663	1,840	452
Total primary government	\$ 73,102	\$ 99,400	\$ 85,989	\$ 128,397	\$ 106,629	\$ 121,799	\$ 117,580	\$ 119,120	\$ 135,472	\$ 121,114
Change in Net Position										
Governmental activities	\$ 21,080	\$ 24,080	\$ 47,401	\$ 85,755	\$ 52,671	\$ 70,043	\$ 67,417	\$ 100,168	\$ 153,791	\$ 183,448
Business-type activities	961	825	330	404	1,868	3,182	1,054	1,099	805	(2,489)
Total primary government	\$ 22,041	\$ 24,905	\$ 47,731	\$ 86,159	\$ 54,539	\$ 73,225	\$ 68,471	\$ 101,267	\$ 154,596	\$ 180,959

2011 and 2012 change in net position is not comparable to 2013 and subsequent years due to the adoption of GASB 61.

CHEROKEE NATION

GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

(Dollars in Thousands)

<u>Year</u>	<u>Motor Fuel Tax</u>	<u>Motor Vehicle Tax</u>	<u>Tobacco Tax</u>	<u>Sales Tax</u>	<u>Total</u>
2020	\$ 10,515	\$ 17,469	\$ 14,765	\$ 2,592	\$ 45,341
2019	10,945	16,766	14,245	4,639	46,595
2018	9,038	15,867	11,831	4,616	41,352
2017	8,488	15,074	12,254	4,106	39,922
2016	8,209	14,680	13,505	3,752	40,146
2015	8,008	13,638	14,217	3,654	39,517
2014	7,733	11,654	13,466	3,506	36,359
2013	7,615	9,641	3,631	3,363	24,250
2012	7,435	8,960	3,943	3,111	23,449
2011	7,543	8,441	3,990	2,905	22,879

CHEROKEE NATION

**FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (Dollars in Thousands)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ 4
Restricted	39,447	41,777	45,286	47,233	52,602	57,932	62,710	68,432	75,626	81,766
Committed	6,353	11,548	6,012	8,581	10,042	7,953	8,113	8,568	14,228	22,583
Assigned	11,327	10,731	3,645	17,252	15,274	8,265	10,443	14,792	12,461	14,882
Unassigned	6,234	21,874	10,298	22,056	16,330	26,922	18,058	23,412	34,126	35,713
Total general fund	<u>\$63,361</u>	<u>\$85,930</u>	<u>\$65,241</u>	<u>\$95,122</u>	<u>\$94,248</u>	<u>\$101,072</u>	<u>\$ 99,324</u>	<u>\$115,204</u>	<u>\$136,448</u>	<u>\$154,948</u>
All Other Governmental Funds										
Nonspendable	\$11,793	\$11,734	\$11,704	\$11,763	\$11,895	\$ 12,516	\$ 12,406	\$ 12,697	\$ 14,262	\$ 18,263
Restricted	75,852	46,771	47,629	43,724	31,303	30,556	49,544	71,914	122,103	216,702
Assigned	9,796	16,449	19,152	11,917	9,634	4,853	-	-	12,441	56,253
Unassigned	-	-	-	-	-	-	(4,608)	(2,149)	-	-
Total all other governmental funds	<u>\$97,441</u>	<u>\$74,954</u>	<u>\$78,485</u>	<u>\$67,404</u>	<u>\$52,832</u>	<u>\$ 47,925</u>	<u>\$ 57,342</u>	<u>\$ 82,462</u>	<u>\$148,806</u>	<u>\$291,218</u>

CHEROKEE NATION

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (Dollars in Thousands)
(modified accrual basis of accounting)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Intergovernmental	\$285,686	\$285,150	\$284,143	\$290,204	\$300,277	\$318,043	\$317,121	\$334,956	\$395,874	\$ 704,788
Property rentals	4,136	4,255	691	956	801	895	957	1,029	747	888
Motor fuel tax revenues	7,543	7,435	7,615	7,733	8,008	8,209	8,488	9,038	10,945	10,515
Tax, license and fees	18,840	19,799	20,490	32,456	35,367	35,923	35,702	37,009	40,509	38,338
Interest	2,129	1,738	1,552	1,336	1,262	1,484	2,036	3,910	8,987	5,897
Trust fund income	105	127	96	21	-	-	-	-	-	-
Litigation settlement	-	-	-	-	1,839	8,349	-	8,272	-	-
Dividends from component units	30,074	56,806	44,109	47,392	45,448	50,139	49,444	55,983	60,734	53,858
Third party revenues	72,077	74,743	82,250	94,175	105,414	106,161	128,154	142,670	157,029	153,935
Income from HACN	1,500	1,945	-	-	-	-	-	-	-	-
Other	9,686	8,929	8,488	9,513	12,679	12,127	14,645	14,542	35,889	31,162
Total revenues	431,776	460,927	449,434	483,786	511,095	541,330	556,547	607,409	710,714	999,381
Expenditures										
Tribal Government	28,518	27,259	26,634	25,093	26,532	29,421	29,679	31,806	43,274	155,700
Health Services	220,201	236,307	246,947	259,612	289,789	293,368	305,159	324,510	331,859	367,298
Education Services	51,893	52,866	55,982	59,587	64,426	68,420	67,286	66,540	70,656	96,997
Human Services	38,315	37,829	39,761	40,738	42,514	45,167	46,725	48,435	58,997	76,319
Community Services	67,109	67,289	71,351	81,932	84,513	84,919	80,008	78,817	87,916	85,355
Debt service										
Principal	3,710	3,630	3,525	3,475	3,555	2,400	13,760	1,600	12,822	11,333
Interest	1,699	1,567	1,435	1,301	1,168	1,058	1,129	2,385	4,794	4,802
Capital outlay	22,853	33,620	20,797	17,996	12,386	16,217	36,270	82,424	75,317	40,256
Total expenditures	434,298	460,367	466,432	489,734	524,883	540,970	580,016	636,517	685,635	838,060
Excess (deficiency) of revenues over expenditures	(2,522)	560	(16,998)	(5,948)	(13,788)	360	(23,469)	(29,108)	25,079	161,321
Other Financing Sources (Uses)										
Issuance of long-term debt	-	-	-	-	-	2,511	32,660	71,700	63,130	-
Insurance recoveries	122	165	37	278	102	212	159	75	28	55
Transfers in	8,587	18,434	19,521	10,772	6,878	8,760	19,692	16,083	26,119	60,736
Transfers out	(9,393)	(19,077)	(19,718)	(11,162)	(8,638)	(9,926)	(21,373)	(17,750)	(26,768)	(61,200)
Total other financing sources (uses)	(684)	(478)	(160)	(112)	(1,658)	1,557	31,138	70,108	62,509	(409)
Special Item:										
Proceeds from settlement	-	-	-	24,860	-	-	-	-	-	-
Net change in fund balances	\$ (3,206)	\$ 82	\$ (17,158)	\$ 18,800	\$ (15,446)	\$ 1,917	\$ 7,669	\$ 41,000	\$ 87,588	\$ 160,912
Debt service as a percentage of noncapital expenditures	1.31%	1.22%	1.11%	1.01%	0.92%	0.66%	2.74%	0.72%	2.89%	2.02%

CHEROKEE NATION

GOVERNMENTAL ACTIVITIES - MOTOR VEHICLE TAX REGISTRATIONS LAST TEN FISCAL YEARS

<u>Year</u>	<u>Motor Vehicle Registrations</u>	<u>Boat/ Motor Registrations</u>	<u>Total All Registrations</u>
2020	40,318	1,554	41,872
2019	41,679	1,411	43,090
2018	39,888	1,556	41,444
2017	40,234	1,535	41,769
2016	37,835	1,573	39,408
2015	35,946	1,299	37,245
2014	29,507	1,188	30,695
2013	23,318	941	24,259
2012	22,192	912	23,104
2011	21,203	771	21,974

Source: Cherokee Nation Tax Commission

CHEROKEE NATION

GENERAL GOVERNMENTAL REVENUES BY SOURCE (GAAP BASIS)

LAST TEN FISCAL YEARS (Dollars in Thousands)

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Motor Fuel Tax</u>	<u>Motor Vehicle Tax</u>	<u>Other Tax Revenues</u>	<u>Unrestricted Grants & Contributions</u>	<u>Investment Earnings</u>	<u>Dividends from Component Units</u>	<u>Litigation Settlement</u>	<u>Miscellaneous</u>	<u>Total</u>
2020	\$ 200,077	\$ 658,455	\$ 22,207	\$ 10,515	\$ 17,469	\$ 17,357	\$ 13,173	\$ 5,167	\$ 53,858	\$ -	\$ 3,575	\$1,001,853
2019	213,153	391,164	26,285	10,945	16,766	18,884	12,776	7,433	60,734	-	7,934	766,074
2018	214,886	333,446	1,141	9,038	15,867	16,447	11,292	3,177	55,983	36	7,280	668,593
2017	174,521	315,952	7,347	8,488	15,074	16,360	12,122	1,615	49,444	8,236	6,241	615,400
2016	159,714	311,972	17,046	8,209	14,680	17,257	14,494	726	50,139	8,349	6,040	608,626
2015	141,069	296,053	36,954	8,008	13,638	17,871	12,740	533	45,448	1,839	6,552	580,705
2014	151,284	283,024	2,054	7,733	11,654	16,972	12,503	635	47,392	-	5,695	538,946
2013	136,750	277,312	5,036	7,615	9,641	6,994	12,844	864	44,109	-	3,921	505,086
2012	78,989	283,446	366	7,435	8,960	7,054	11,676	1,142	56,806	-	6,327	462,201
2011	75,773	283,563	1,369	7,543	8,441	6,895	13,394	1,395	30,074	-	5,360	433,807

2011 and 2012 revenue sources are not comparable to 2013 and subsequent years due to the adoption of GASB 61.

The Nation does not assess property taxes or receive property taxes assessed on its behalf by any other governmental unit. Consequently, many of the statistical schedules usually found in a comprehensive annual financial report are not applicable to the Nation.

CHEROKEE NATION

GENERAL GOVERNMENTAL EXPENSES BY FUNCTION (GAAP BASIS)

LAST TEN FISCAL YEARS (Dollars in Thousands)

<u>Fiscal Year</u>	<u>Tribal Government</u>	<u>Health Services</u>	<u>Education Services</u>	<u>Human Services</u>	<u>Community Services</u>	<u>Interest on Long Term Debt</u>	<u>Change in Equity in Component Units</u>	<u>Tsa-La-Gi Apartments</u>	<u>Title VI</u>	<u>CN Sanitary Landfill</u>	<u>EDTA</u>	<u>Total</u>
2020	\$ 159,294	\$ 370,897	\$ 96,994	\$ 76,285	\$ 86,591	\$ 4,802	\$ 20,788	\$ 459	\$ -	\$ 4,475	\$ 309	\$ 820,894
2019	44,454	339,118	71,235	59,403	89,261	4,794	-	544	2	2,398	269	611,478
2018	33,171	333,037	66,958	48,750	79,903	2,385	-	655	33	2,184	250	567,326
2017	41,010	311,892	65,666	46,048	78,290	943	-	651	45	2,329	55	546,929
2016	32,382	303,202	68,678	45,461	85,626	1,046	-	523	51	320	17	537,306
2015	27,535	300,161	65,059	42,996	88,575	1,140	-	488	57	-	155	526,166
2014	26,464	266,606	59,753	40,917	82,796	1,274	-	488	70	-	232	478,600
2013	28,885	256,465	57,076	40,432	72,344	1,414	-	492	124	-	124	457,356
2012	29,428	244,547	54,061	38,575	68,391	1,569	-	473	190	16	46	437,296
2011	29,678	224,634	52,348	38,588	63,814	1,722	-	459	302	154	67	411,766

CHEROKEE NATION

OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS (Dollars in Thousands)

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income*	Per each one*
	Bonds	Term Loans	Capital Leases	Term Loans	Capital Leases			
2020	\$ -	\$ 156,778	\$ -	\$ 803	\$ 1,587	\$ 159,168	3.41%	\$ 1,397
2019	-	168,112	-	869	362	169,343	3.77%	1,483
2018	-	117,804	-	1,399	584	119,787	2.83%	1,066
2017	-	47,704	-	3,081	802	51,587	1.27%	457
2016	12,160	16,644	-	4,651	1,016	34,471	0.75%	283
2015	12,960	15,733	-	6,432	-	35,125	0.89%	319
2014	14,915	17,333	-	8,287	-	40,535	1.08%	378
2013	16,790	18,933	-	9,976	-	45,699	1.28%	433
2012	18,585	20,925	130	13,349	-	52,989	1.59%	514
2011	20,310	23,098	435	15,301	-	59,144	1.50%	495

Note: Details regarding the Nation's outstanding debt can be found in the notes to basic financial statements

* See Demographic and Economic Statistics for personal income, population, and per each one data.

CHEROKEE NATION

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS (Dollars in Thousands)

		Health Revenue Bonds						
Fiscal Year		Beginning		Less: Expenses	Ending		Coverage	
		Fund Balance	Revenues		Fund Balance	Debt Service*		
					Principal	Interest		
2020	**	\$ 109,806	\$ 465,538	\$ 370,317	\$ 205,027	\$ -	\$ -	-
2019	**	61,955	390,509	342,658	109,806	-	-	-
2018	**	38,653	334,945	311,643	61,955	-	-	-
2017	**	22,843	296,354	280,544	38,653	-	-	-
2016		24,083	267,448	268,688	22,843	800	577	16.59
2015		34,877	261,698	272,492	24,083	1,955	636	9.29
2014		36,545	253,210	254,878	34,877	1,875	718	13.45
2013		34,076	227,368	224,899	36,545	1,795	797	14.10
2012		45,581	216,326	227,831	34,076	1,725	871	13.13
2011		43,820	211,620	209,859	45,581	1,660	940	17.53

Note: * Debt service coverage is based upon fund balance generated from Health Care System Operations.
 ** Bonds were called in FY 2017, therefore, coverage can only be reported on years prior to the call of the bonds.

CHEROKEE NATION

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population**</u>	<u>Personal Income*** (Dollars in Thousands)</u>	<u>Per Each One Personal Income****</u>	<u>Unemployment Rate*****</u>
2020 *	1,216,294	\$ 4,664,925	\$ 40,972	5.4
2019 *	1,211,949	4,496,132	39,372	3.2
2018 *	1,208,644	4,239,328	37,741	3.1
2017 *	1,205,109	4,061,803	36,007	4.3
2016 *	1,199,601	4,615,769	37,879	5.3
2015 *	1,188,464	3,947,473	35,795	4.4
2014 *	1,180,608	3,746,498	34,926	4.2
2013 *	1,172,064	3,569,576	33,789	5.4
2012 *	1,168,624	3,340,215	32,406	5.2
2011 *	1,167,294	3,947,252	33,015	5.9

Source: Oklahoma State Data Center - Oklahoma Department of Commerce
US Department of Labor: Bureau of Labor Statistics Data

Notes:

* Estimate projected based on previous trends by Cherokee Nation Financial Resources Department

** Population data for Counties within the Cherokee Nation Jurisdictional Boundaries

*** Personal income information from the Bureau of Economic Analysis

**** Per each one personal income information from Oklahoma State Data Center - OK Dept of Commerce

***** Unemployment Rate September period rate from the Bureau of Labor Statistics Data

CHEROKEE NATION

PRINCIPAL EMPLOYERS

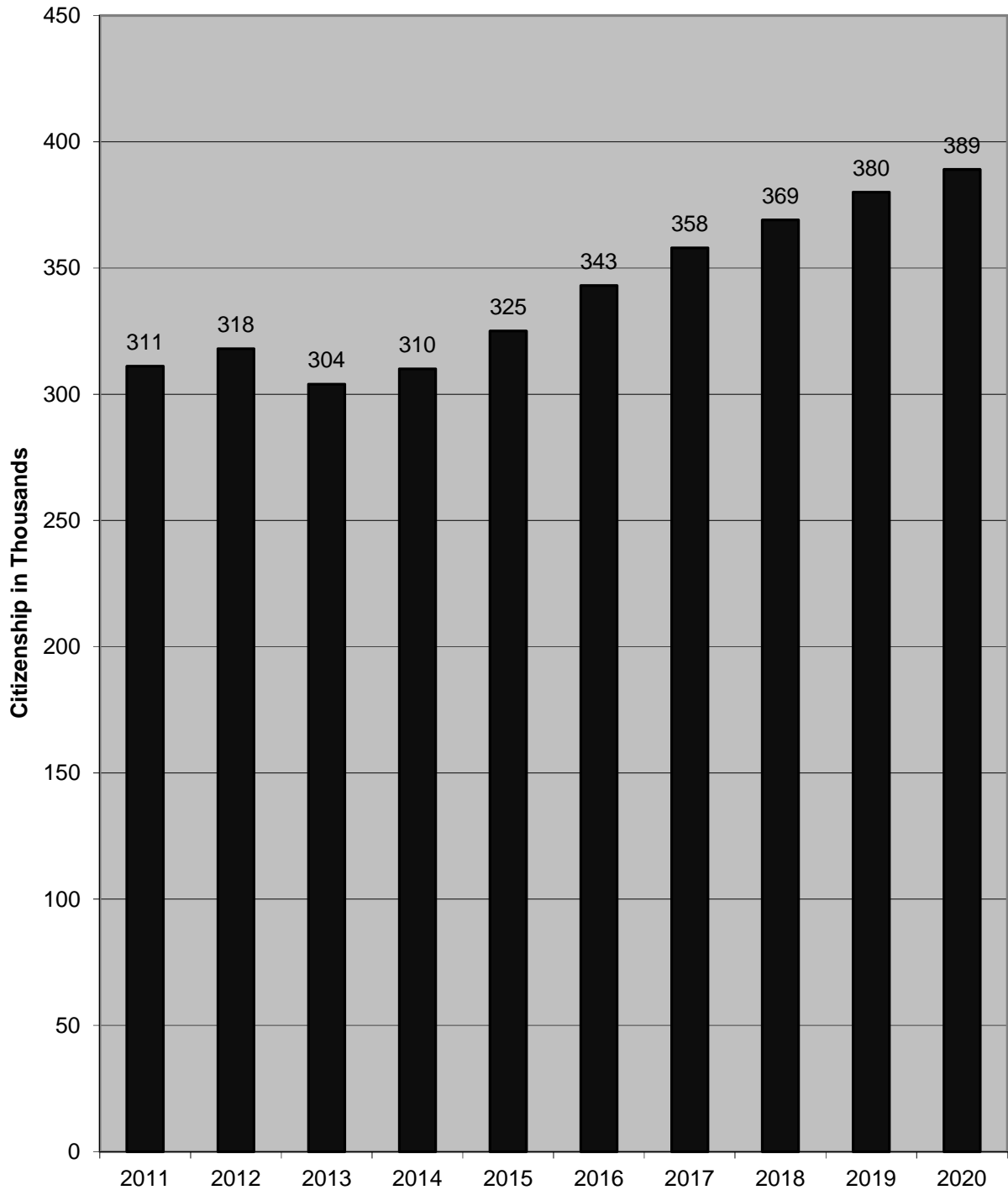
CURRENT YEAR AND NINE YEARS AGO

Employer	2011			2020		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
American Airlines & AA	7,000	1	23.05%	5,550	2	21.35%
Baker Hughes	-	-	0.00%	1,150	9	4.42%
Cherokee Nation *	6,500	2	21.40%	8,550	1	32.88%
Claremore City Schools	750	9	2.47%	-	-	0.00%
Conoco Phillips	4,000	3	13.17%	-	-	0.00%
Georgia Pacific Consumer Products	2,000	6	6.58%	-	-	0.00%
IC of Oklahoma LLC/IC Bus	-	-	0.00%	1,150	8	4.42%
Melton Truck Lines Inc.	-	-	0.00%	1,550	5	5.96%
Mid-Western Aircraft Systems Inc	3,000	4	9.88%	-	-	0.00%
NORDAM Group Inc	-	-	0.00%	1,750	4	6.73%
Northeastern Health System	-	-	0.00%	1,050	10	4.04%
Northeastern Oklahoma State University	2,500	5	8.23%	1,450	6	5.58%
Owasso Independent School Dist #1-11	2,000	7	6.58%	-	-	0.00%
Reasors LLC/Reasor's Stores	-	-	0.00%	2,350	3	9.04%
Tahlequah School District	625	10	2.06%	-	-	0.00%
Whirlpool Corporation	2,000	8	6.58%	1,450	7	5.58%
	<u>30,375</u>		<u>100%</u>	<u>26,000</u>		<u>100%</u>

Sources: Oklahoma Department of Commerce: Avention; DNB Hoovers, OESC QCEW 2020

*Including component units

**CHEROKEE NATION
Tribal Citizenship**



Source: Tribal Registration Department

In Fiscal Year 2013, the Nation purchased the Social Security Death Index listing. The decline in Tribal Citizenship growth is attributable to the removal of citizens identified as deceased via the Index.

CHEROKEE NATION

TRIBAL CITIZENSHIP BY DISTRICT LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
District*										
Cherokee	19,120	19,830	20,443	20,368	21,912	22,278	23,062	24,193	24,769	24,848
Craig	7,431	7,515	7,823	7,697	8,058	8,320	8,848	8,612	8,640	12,789
Delaware	11,311	11,587	12,657	12,783	13,330	14,113	14,526	14,977	15,343	15,372
Keeler	14,698	14,947	15,300	15,055	15,931	16,638	17,454	18,210	18,866	19,257
Mayes	12,069	12,284	11,987	11,367	11,754	12,346	12,674	12,828	13,024	13,118
Sequoyah	13,893	14,189	14,204	13,945	14,583	15,109	15,550	20,465	16,337	16,430
Three Rivers	16,594	16,832	8,642	9,027	8,718	9,259	9,459	9,501	9,640	9,770
Trail of Tears	13,110	13,318	12,987	13,075	13,726	14,043	14,321	14,425	14,305	14,240
Will Rogers	9,755	10,237	15,266	15,607	16,704	23,022	17,648	18,251	18,361	18,643
Other	193,271	197,088	184,895	191,474	199,946	207,934	224,530	227,591	240,799	244,310
Total Citizenship	<u>311,252</u>	<u>317,827</u>	<u>304,204</u>	<u>310,398</u>	<u>324,662</u>	<u>343,062</u>	<u>358,072</u>	<u>369,053</u>	<u>380,084</u>	<u>388,777</u>

Source: Tribal Registration Department

* The Nation currently has a 15 district map of the Nation's jurisdictional areas. For comparative purposes, the distribution of the Nation's citizenship is shown in the original nine district breakout. Reports have been compiled similarly to prior years' reporting to maintain consistency.

CHEROKEE NATION

TRIBAL LAND BASE (ACRES) BY COUNTY FOR THE YEAR ENDED SEPTEMBER 30, 2020

County	Tribal Land	Government Land	Restricted Individual	Total Acres
<u>Cherokee Nation:</u>				
Oklahoma:				
Adair	14,965	19	10,271	25,255
Cherokee	2,351	97	9,439	11,887
Craig	327	-	1,843	2,170
Delaware	25,094	10	6,503	31,607
McIntosh	-	-	596	596
Mayes	373	10	5,364	5,747
Muskogee	500	-	2,342	2,842
Nowata	40	-	610	650
Ottawa	-	-	79	79
Rogers	556	10	801	1,367
Sequoyah	3,300	40	5,623	8,963
Tulsa	47	-	204	251
Wagoner	-	-	225	225
Washington	240	-	1,719	1,959
Arkansas Riverbed	14,715	-	-	14,715
<u>Counties Outside Territorial Boundaries:</u>				
Oklahoma:				
Kay	4,230	-	-	4,230
Atoka	10	-	-	10
Choctaw	40	-	-	40
Pittsburg	10	-	-	10
Stephens	80	-	-	80
Texas:				
Red River	630	-	-	630
Dallas	5	-	-	5
Paris	66	-	-	66
Total	<u>67,579</u>	<u>186</u>	<u>45,619</u>	<u>113,384</u>

Source: Cherokee Nation Real Estate Services

CHEROKEE NATION

PRIMARY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Regular full-time employees only

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Function:										
Tribal Government	481	472	489	509	576	583	602	569	578	568
Health Services	1,112	1,198	1,270	1,315	1,392	1,489	1,519	1,557	1,670	1,837
Education Services	460	444	442	444	433	430	422	421	464	439
Human Services	322	328	328	335	339	365	360	346	363	398
Community Services	432	428	296	304	297	271	238	230	230	235
Total	<u>2,807</u>	<u>2,870</u>	<u>2,825</u>	<u>2,907</u>	<u>3,037</u>	<u>3,138</u>	<u>3,141</u>	<u>3,123</u>	<u>3,305</u>	<u>3,477</u>

Source: Financial Resources Department

CHEROKEE NATION

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Health Services										
Ambulatory care visits	363,112	369,957	382,614	413,862	423,902	488,074	568,663	552,475	570,896	543,497
Dental patient visits	30,806	55,402	61,274	68,637	74,604	80,996	94,287	71,062	83,234	54,877
Pharmacy patient visits	307,394	379,191	435,855	484,595	480,390	609,490	649,103	672,726	697,311	696,223
Pharmacy prescription filled	1,461,526	1,678,692	1,828,359	1,927,395	1,961,582	1,686,360	1,716,535	2,405,316	1,744,951	1,705,968
Education Services										
Higher Education applications received	3,158	3,828	3,287	3,846	4,272	4,963	5,109	5,617	5,552	5,559
Higher Education applications funded	3,033	2,447	3,065	3,430	3,805	4,167	4,325	4,537	4,626	4,635
Head Start students	344	324	305	145	182	152	146	145	141	34
Immersion Class students	56	100	105	117	104	101	130	134	134	89
Sequoyah High School students	342	284	379	375	366	374	388	367	370	320
Human Services										
Child Care children served through subsidy	3,724	3,230	3,040	3,150	2,430	2,541	2,715	2,563	2,604	2,506
Child Care contracted providers	614	622	546	404	529	529	504	428	402	432
Child Care technical assistance calls and visits	2,886	1,967	1,965	1,799	1,001	925	941	907	851	3,793
Child Care monitoring visits to caregivers	1,020	1,038	1,001	1,000	982	1,194	1,320	1,274	1,396	486
Food Distribution - individuals served	104,926	110,394	109,579	127,757	133,190	139,211	135,602	130,033	121,594	113,413
Food Distribution - households served	52,087	47,582	47,428	55,414	59,339	62,505	62,173	60,859	58,644	55,520
Elder Service Advocacy individuals served	572	252	279	329	703	1,311	1,504	1,675	1,523	1,548
Community Services										
Roads/bridges project miles completed	50.95	72.82	51.49	68.84	71.77	77.81	78.19	56.56	60.04	69.67
Transit rides	15,580	38,189	44,912	67,346	109,132	93,446	102,148	107,712	115,389	107,784
Families served through rental assistance	1,366	1,929	2,189	1,880	2,673	2,554	1,939	1,727	1,654	1,739
Families subsidized in Title VI units	274	268	238	240	234	221	197	195	194	200
Rehabilitation of privately owned homes	346	379	609	629	610	295	477	536	197	10
Acquired or constructed individual homes for low-income families	9	40	38	29	158	277	161	56	73	73
Businesses funded through Commerce programs	53	20	28	18	24	41	46	36	28	13
Participants enrollments in IDA/YIDA	131	130	146	210	453	465	447	500	321	158

Source: Departments/programs as listed

CHEROKEE NATION

CAPITAL ASSET UTILIZATION BY FUNCTION

PRIMARY GOVERNMENT

LAST TEN FISCAL YEARS

(Net of Depreciation, Dollars in Thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
Tribal Government	\$ 42,732	\$ 43,950	\$ 49,706	\$ 52,295	\$ 52,873	\$ 65,734	\$ 98,370	\$174,880	\$250,128	\$272,518
Health Services	60,260	84,086	88,522	95,747	131,097	136,691	134,891	129,037	122,031	120,438
Education Services	10,323	10,124	10,067	9,698	9,302	8,963	8,661	8,286	8,052	8,420
Human Services	1,111	1,502	6,205	6,152	5,891	5,661	5,432	5,342	5,364	5,658
Community Services	5,137	6,947	4,555	4,288	5,192	4,442	3,396	3,887	4,368	6,609
Governmental activities, net	<u>\$119,563</u>	<u>\$146,609</u>	<u>\$159,055</u>	<u>\$168,180</u>	<u>\$204,355</u>	<u>\$221,491</u>	<u>\$250,750</u>	<u>\$321,432</u>	<u>\$389,943</u>	<u>\$413,643</u>
Business-type activities:										
Enterprise Funds	\$ 588	\$ 533	\$ 483	\$ 435	\$ 386	\$ 2,217	\$ 1,706	\$ 1,231	\$ 2,377	\$ 3,825
Business-type activities, net	<u>\$ 588</u>	<u>\$ 533</u>	<u>\$ 483</u>	<u>\$ 435</u>	<u>\$ 386</u>	<u>\$ 2,217</u>	<u>\$ 1,706</u>	<u>\$ 1,231</u>	<u>\$ 2,377</u>	<u>\$ 3,825</u>

Source: Financial Resources Department

CHEROKEE NATION

**CHEROKEE STUDENTS BY DISTRICT
LAST TEN FISCAL YEARS**

District*	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cherokee	4,681	4,882	5,025	4,733	4,248	4,833	4,930	4,671	4,833	4,246
Craig	1,341	1,325	1,341	1,314	1,312	1,403	1,319	1,287	1,316	1,238
Delaware	2,372	2,524	2,689	2,558	2,483	2,653	2,745	2,668	2,585	2,431
Keeler	1,856	2,271	2,993	5,468	5,677	6,537	6,803	7,079	7,828	7,125
Mayes	2,321	2,387	2,411	2,456	2,489	2,554	2,619	2,668	2,598	2,515
Sequoyah	2,158	2,540	2,534	2,518	2,475	2,584	2,665	2,580	2,584	2,457
Three Rivers	2,936	2,850	2,948	4,007	3,797	4,087	3,975	3,951	4,120	3,707
Trail of Tears	2,466	2,337	2,576	2,614	2,492	2,589	2,640	2,584	2,565	2,438
Will Rogers	2,574	2,760	2,812	2,814	2,835	2,930	3,018	2,974	3,030	2,892
Total Cherokee Students	<u>22,705</u>	<u>23,876</u>	<u>25,329</u>	<u>28,482</u>	<u>27,808</u>	<u>30,170</u>	<u>30,714</u>	<u>30,462</u>	<u>31,459</u>	<u>29,049</u>

Counties included in districts:

- Cherokee (Cherokee)
- Craig (Craig/Nowata)
- Delaware (Delaware/Ottawa)
- Keeler (Tulsa/Washington)
- Mayes (Mayes)
- Sequoyah (Sequoyah)
- Three Rivers (Muskogee/Wagoner/McIntosh)
- Trail of Tears (Adair)
- Will Rogers (Rogers)

* The Nation currently has a 15 district map of the Nation's jurisdictional areas. For comparative purposes, the distribution of the Nation's Cherokee students by district is shown in the original nine district breakout. Reports have been compiled similarly to prior years' reporting to maintain consistency.

Source: MVT apportionment