

Headline News:

4/2/14: Chumash Inform County of Their Casino Improvement Plans
(santamariasun.com)

4/4/14: Harrah's Resort Southern California Renovations
(sandiego6.com)

4/10/14: NAFOA Conference to Honor Historic Agreement between Oneida Nation & New York State
(indiancountrytoday.com)

4/14/14: New Mexico High Court Orders Tribal Recognition
(washingtontimes.com)

4/19/14: Ranchers, Klamath Tribes Sign Deal to Share Water
(contracostatimes.com)

4/22/14: North Dakota Tribes' Oil Output Rivals US States
(bellinghamherald.com)

Meaningful Financial Analysis - Useful Tips for a Better Result

by Kristi Jackson

As a banker or investor, we rely on management's financial reports to offer a snapshot of the performance of a business in order to advise on appropriate financing and/or investment strategies. Typically, there are often three statements (income statement, balance sheet and a statement of cash flows) presented, and frequently, nothing else is offered up.

How do professionals go about using these statements? Knowing a few things about how banking and investing professionals do their analysis can help tribal leaders ask better questions about your tribe's own businesses, and, can help a tribe's finance team prepare more productive statements and information to its lenders, financial partners as well as tribal leadership.

We offer a few key tips:

Garbage-In, Garbage Out – It all starts with the source. How reliable are the numbers? Have the books been closed yet, or, are you looking at an interim statement? Flash reports are very useful in staying on top of and reacting to trends, but be careful not to draw conclusions until you have final results. Also, in the case of an audit, check to see if there is an unqualified opinion from the accounting firm (which will be clearly stated in their opening cover letter).

Identifying Outliers – Look through the line items in the income statement and the cash flow statement, as compared to the similar period in the prior year or quarter. Are there big changes or very large numbers that

(Continued on Page 2)

TFA will be attending the Indian Gaming
San Diego 2014 Tradeshow & Convention - May 11-14



Please let us know if you will also be in
attendance and would like to set up a meeting with TFA.

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(Continued from Page 1)

show up where they didn't previously? Often, there are one-time charges or expenditures which are easily understood not to happen again and when removed, offer more comfort in the earnings trend.

Trend Analysis – As noted above, compare similar periods (full year this year versus last) to normalize your picture for things like seasonality in the business and growth or decline in overall activity levels. Noticing a trend is one thing but understanding the significance of the trend is what's important. Make sure to probe and understand the underlying for both positive and negative trends.

Key Statistics – Ask for a handful of key statistics that are reflective of the nature of the business at hand (i.e. win per unit, number of customers served, number of full time equivalent employees, or occupancy percentage). If your primary business is a casino, and your win per machine is declining but your revenues themselves are stable, your management may have added more machines to your floor - and those possibly are not as productive or favored by your customers as others.

Cash flow is Key – You may be looking at an income statement that shows you have lots of positive net income, however, this may not always be reflective of your earning power. An important question to be able to answer is how much cash did the business generate that period? If for example, revenues were recognized, but on your balance sheet your accounts receivable line item shows a very large increase - you may not have really received equivalent cash from your customers. Some of this may be because you offered credit to customers, and they owe you - what if your business doesn't collect?

There are entire college course programs centered on financial analysis. We have just touched the tip of the iceberg. Nothing can replace trusted staff and advisors who are trained in this type of analysis to help you through to a clear understanding. That said, as a stakeholder in your business, arming yourself with some of these fundamentals will help you become a better manager and make the most informed decisions possible.

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