

**Commentary on the release of the
NRHA 2007 Fiscal Year Audited Financial Report
and other NRHA happenings**

by Gary Pipkin, 12-9-07

The long awaited release of the 2007 financial report did not disclose any surprises in the final numbers compared to what was discussed at the August 2007 Board of Directors Meeting, where some 17 guest members were in attendance. At that time, the group in attendance was informed that the expectations were the association would have a net asset increase of around \$95,823.

The newly released numbers, available for your perusal on the NRHA.com Members Only Page, reveal a net asset increase of \$114,001 for the NRHA side of the financial report, and \$143,887 for the RHSF side of the financial report, thus a total of \$257,888 in overall increase in assets for the "Group" (NRHA and related entity).

For this commentary, we will concentrate on the NRHA side only. Two major items I noticed in this new report are:

- The Schedule for individual Events, i.e., Futurity, Derby, Convention and Awards Banquet and Other Managed Events that was Schedule 3, Page 16 of the 2006 Financial Report, is missing. So are the individual line items for those same categories on Page 3, (Revenues and Expenses), and page 14 (Consolidated Statement of Activities). The 2006 Financial Report previously separated those categories so one could see how well the association fared from producing individual events.
- There is a new single line item in both Revenues and Expenses entitled "NRHA Membership Programs". This line consists of "membership services fees, show fees, sire and dam program revenues and judges program revenues" and "affiliate program and the NRHA website..." per the Notes to the Consolidated Financial Statement. In prior years, these individual line items for both revenue and expense were on the financial reports.

This is important as it appears the association wants to now consolidate all those events and/or services into single line item accounts on the financial report. It is possible the intent is to keep members from recognizing unusual "losses" experienced for the Futurity, the Derby, and the Convention and Awards banquet or unusual expense amounts in the services program. The standard business (or NRHA) practice in regards to releasing more detail than provided for by the audited financial report is "It is our policy to not distribute detailed internal financial statements; distribution of detailed internal financial statements could potentially place the NRHA at a competitive disadvantage in a number of areas. We believe the NRHA provides transparency by giving our members access to our audited financial statements."

The transparency displayed in 2006 and prior years for those events and program services has now vanished with the consolidation of those numbers into single line entries entitled "NRHA Events" and "NRHA Membership Programs".

It is fact that the major drain on the association has been the NRHA Derby with net losses exceeding \$600,000 over the past three years, with projected losses in excess of \$200,000 in 2008 even with the change in show dates and other proposed improvements for the event.

Overall, the assets of the association are still healthy. However, on the NRHA side of the report, we have experienced a steady decline in the increase of net assets (net profit from operations) from \$525,515 in 2005, to \$389,519 in 2005, to \$114,001 in 2007. Members should ask their directors what the budget forecast is for the 2007/2008 fiscal year ending on 6/30/08.

Another interesting item within the NRHA side of the financial report is the addition of a new line item entitled “Public Awareness” with an expense of \$94,056. If one reads the Notes to the Financials thoroughly, you’ll find this is the new Inside Reining television series production expense. I would think if we’re going to have a line entry for the expenses, we’d also show the income dedicated to that television programming in the form of commercial sponsorships so we could determine if it is a break even situation as originally envisioned.

There is also in the Notes to the Financials a comment regarding Advertising Expense that reads “Advertising is recorded as a program services expense as incurred. For the years ended June 30, 2007 and 2006, advertising expense approximated \$101,000 and \$71,500, respectively.” (This is a 41% increase in advertising.)

The last major item of concern needing further clarification is the 26% increase in NRHA General and Administrative Expense. This category increased by \$355,000 over the 2006 NRHA G&A expense. That means NRHA now spends 23% of Total Revenue dollars on G&A compared to 18.25% in 2006. Those same revenues only increased by 3% over the same time frame.

To delve into NRHA’s 2007 financial reports more thoroughly, contact a board member to get additional information.

Regarding other on-going NRHA issues, we have learned that the Futurity/Derby Program (aka the Hamilton Plan) has recently come under close scrutiny by various groups throughout the industry. Consequently, alternative plans are being proposed for consideration of all involved. NRHA announced on the website on Friday, Dec. 7th, that it was placing a **temporary hold on the Futurity/Derby Program** until more members could have time to submit their ideas and concerns to the NRHA office. January 7th is the deadline for submitting your thoughts in this regard.

NRHA’s “The Source” announced a new timetable for submission of Rule Change proposals, meeting dates and bylaw amendment proposals. The first submission for Rule Changes will be at the January 29 NRHA Convention in Oklahoma City. “The Source” indicates that a second submission date at the March Board of Directors Meeting will be allowed for 2008. The final reading and vote by the full board of directors on all Rule Changes will occur at their meeting in June.

Bylaw amendment proposals will be due 120 days prior to the new August General Membership meeting, pursuant to the existing bylaws governing same. That means April will be the cutoff date for submission of any recommended changes to the association's bylaws.

The General Membership meeting, previously held at the Congress in October, has been moved to Oklahoma City to be held concurrent with the Board of Director's Meeting presently scheduled for August 7-10. This change allows for bylaws and Elected Board Members to be decided upon earlier in the year, thus allowing the staff more time in (1) getting the Rulebook updated, published and into the hands of the membership by the 1st of the following year; (2) to allow some time to indoctrinate and orientate the incoming officers prior to their taking office on January 1st; and, (3) the official home of the NRHA is now in Oklahoma City and the full board of directors, Executive Board and NRHA staff will be there for a general membership meeting.

The question at hand: Will a sufficient number of NRHA members from around the world converge on Oklahoma City in early August to attend a general membership meeting? Bear in mind that the general membership meeting at Congress rarely lasted over two hours. Further consider that at Congress, hundreds of NRHA members are there to participate, support and watch a major NRHA approved event. In early August in Oklahoma City, there is no major event to attract hundreds of NRHA members. This past August, there were only 17 guest members who travelled at their own expense to attend a two-day board of directors meeting. Even then, they were asked to leave the room numerous times for closed sessions. Is it reasonable to assume that dozens, much less a 100 or more members from around the country, will attend a General Membership Meeting in Oklahoma City without the motivation of a major event to attract their attendance?? Remember, this has typically been a two-hour meeting! This issue needs member input directed toward your board of directors, who approved this change.

And lastly, I encourage all of you at the affiliate level to be planning on the day later in 2008 that **we'll be electing Regional Directors from around the globe to represent the membership** on the board of directors. You should now be determining who within your respective region/country might be the ideal candidate for an elected director position. Bear in mind if you personally are considering candidacy, a minimum of four Board Meetings will be held throughout the year. Board Members are not reimbursed for their expenses to attend these meetings. There are also committees Board Members are expected to serve on and teleconference calls and committee meetings, which are required for those serving the association in this capacity. This is a major time, energy and financial commitment, but one well worth the effort for those of you who want to represent your fellow reiners at the board level. You can truly make a difference in the future of this industry under the new regional director concept. I encourage you to give this strong consideration and be prepared to run for office or nominate a fellow member who has a desire to do so.

Have a Great Holiday Season!

Gary Pipkin