

RMRHA Summer Slide Town Talk Response to Finance Committee Chairperson* July 2007

**A letter from Gary Pipkin to the Chairman of the Finance Committee resulting from comments Gary gathered at the Summer Slide Town Talk meeting. This letter was subsequently shared with the entire NRHA Board of Directors. To date, 8/16/07, Gary has not received a detailed explanation to the questions asked requesting full disclosure on individual category line items on the association's financial report.*

The Town Talk at the Summer Slide was the continuation of many such sessions around the country where the membership still has questions relative to what the Executive Board, and for that matter, the Full Board, have been doing these past few years to control costs in the various value/investment centers that would create a projected \$37,000 loss for the association? Members communicated to us that they have been asking questions of committee members and office staff for months relative to specifics regarding line items of expenditures only to be stonewalled with confidentiality agreements, no need-to-know comments, against internal policy, etc. The financial reports available on the Members Only section of the website do indeed tell some of the story. But, the general ledger entries to arrive at those account totals are not being shared with the membership. And it's in the individual entries that the full story exists.

The membership I've communicated with, literally hundreds of people from all over the country, would have no problem with reasonable inflationary increases across the board for membership dues. However, this new policy creates further furor among the membership with the levels of participation dues on top of the membership due. Reinstating the Reiner magazine as a by-product (no credit mentioned for those who don't want it) and giving (forcing) all open riders membership in the NRHA Professionals group, again no option for them to join or not join!! I spoke with many trainers this week who have not joined the NRHA Professionals because they don't see any benefit being directly derived from the additional cost. The explanation mentions Professional Dues and Directory Fees as if they were two separate amounts. From looking at the Professionals application, it appears there's only one \$25 amount that gives one membership in the professionals AND a listing in the Trainers Directory on the nrha.com website.

All trainers have differing agreements with their owners relative to the percent they earn from the winnings at a show. It appears that Top 20 riders have earned the right to negotiate a higher split of the earnings, where many other Open category riders may have a lesser percentage in their training/showing agreements. Are we next to tax with a "participation due" those with higher percentage agreements?? Or perhaps, we impose a heavier participation due on the Top 20 Owners throughout the year as they are "earning" more from the industry than their peers. How about a higher participation due for stallion owners who have higher breeding fees or for those who sell more breedings throughout the year. See how ludicrous this seems to the membership?? These are comments from the general membership throughout the week.

Members with Life Memberships who purchased those memberships for LIFE did not expect that the association would find a way to tax their participation in future years with the addition of this new Participation Due!

A youth rider who owns his own horse is now penalized 120% his youth Total if he allows an open rider to show that horse, thus elevating himself to the status and fees of an Owner, requiring an upgrade in membership. Same applies to Rookie/LNP/INP riders!! Consider the volume of upgrades required throughout the year and the consequences to the member to properly upgrade before a horse is shown which required the upgrade.

The explanation pages accompanying the proposal mentions the past income from memberships but does not specify the expected income proforma if this rule were to pass. It seems to me that the committee would have wanted to share this information with the membership as part of the proposal!

In reviewing the April financial report posted on the website, it appears sponsorship dollars are up significantly for 2007 versus 2006 and 2005. Have these monies been used to offset the Derby losses, Convention losses, diverted to G&A, pay for international travel or what?? The membership have voiced they are interested in knowing where sponsorship money is being spent.

However, projections for the full year show a loss in May and June with an additional projected adjustment of -\$61,000. The membership at our Town Talk wants to know what caused the loss of that magnitude in just two months and what activity, event or error caused a projected negative adjustment? Once the membership can ascertain that the board is, in fact, managing the finances and assets of the association, then they can cast a reasonable opinion on these proposed rule changes. Until then, only questions remain in their minds. In analyzing the financial report it appears the Derby has lost close to \$200,000 two years running and with a huge loss projected in May/June of - \$301,000, my guess is that the Derby lost even more in 2007.

Within the proposal explanation, you mention that this is the third year to have a detailed, value center by value center budget. Does that mean that the Derby losses were planned (thus becoming an investment center rather than a profit center), or was the establishment of the budgets so far off that the losses were totally unexpected. If that were the case, after the first year what measurements and actions were taken to prevent the 2nd and 3rd year losses?? And why would we add additional purse money to an event that has two years of losses??

Comments at the Town Talk were made in relation to the expenditures made by NRHA on international travel for staff. No where can one ascertain what that amount is. In the RHSF Related Entity 2006 expenses, one can see over \$67,000 was spent on International Development. What were the line items that create that much expenditure from the RHSF. With the recent pronouncement that neither NRHA nor RHSF is funding any USEF programs, does that mean we are funding other international related programs?? The membership would like to know what and how much is being spent. In the June 11, 2006 BOD meeting minutes Frank Constantini is quoted as saying that the RHSF is prepared to pay from restricted funds for the impending trip to Russia. Does

that mean a huge chunk of the total expense for all those who went on that trip was paid for by the RHSF, our related entity??? That is \$60,000 more than was spent on International Development in 2005. In 2005 the RHSF spent \$100,000 on the 2004 Masters Reining. What is NRHA/RHSF prepared to spend on the upcoming Masters Reining at the Futurity in November, and with our present shortfall, where does the association plan on getting the money for this major endeavor??? The membership would like to see some fiscal restraint exercised by the board of directors before yielding to a membership dues increase policy without knowing how much it is expected to generate in revenue and what other actions are being taken to stem the financial drain of losing programs.

It has been my experience in managing large corporations that when the "Other" or "Misc" category line on a financial report is larger than many of the other more definitive line items, it's time to dig deep into what management is charging into those accounts and break out those expenses for better analysis and understanding.

With the above discussion and questions, I cannot recommend to anyone to support the current membership dues increase being recommended by the Dues Task Force. Too many unknowns on existing financial issues. Too much reluctance by the board and finance committee to share information with the membership.

Sincerely,

Gary Pipkin