

**National Reining Horse Association  
Minutes of the Finance/Audit Committee Meeting  
Conference Call  
February 9, 2022**

**Present (all via conference call): Chairperson John Tague, Joao Marcos, Loren Booth, Larry Handley, and Rick Clark**

**Not Present: Rob Curtis, Mark Blake**

**Staff: Commissioner; Gary Carpenter, NRHA Commissioner; John Foy, C.F.O.; Chris Mossman, Sr. Director of Accounting.**

- I. The meeting was called to order at 1:053 P.M. CDT.
- II. Old Business
  - a. Approve October 14, 2021 Conference Call Minutes: Motion was made with a 2<sup>nd</sup>. Vote was Unanimous
- III. New Business
  - a. FYE 06/30/2021 Audit Report: JF discussed the 6/30/2021 audit report. He asked the committee to go through the report and he will answer any questions. He pointed out that we have a fiduciary responsibility to complete the audit and we have done that. We have an Unqualified Audit Opinion.
  - b. Audit Governance Letter: This is a very important byproduct of the audit. It states the financial statements are consistent, neutral, and clear; we had no difficulties with conducting the audit; and there are no major control weaknesses.
  - c. 9/30/2021 P&L Summary: JF discussed, but did not go into much detail, since it is old news at this time, it is only the 1<sup>st</sup> quarter of FY2022, and a quiet quarter. We are tracking well to budget and there are no surprises in the 1<sup>st</sup> quarter.
  - d. Financial Report: JF went through our current financial performance, Futurity and Sale, how we have gotten to this point, our strategic focus, and our next steps. He also went back and benchmarked ourselves against what we had challenged ourselves with as we entered the pandemic and started to execute our plans we had to improve our performance.
    - i. He started with the actions taken to protect our liquidity and operations going forward.
    - ii. Our financial performance was driven by the previously discussed factors as well as the performance of the Derby, Futurity, and Sale.
    - iii. Futurity Net Income has a good trend line. Derby NI was in the black for the past 2 years and we had a record NI for 2021. Sale had a really strong year, with the best performance since 2008. We are trending in the right direction.
  - e. When we talk about our strategic focus to continue to leverage our higher performing assets and our performance in achieving those goals, we continue to look at our liquidity.
    - i. We have improved significantly since the beginning of the pandemic.
    - ii. We have said, in order to leverage our best assets, we want to enhance our event purses. Over the last 2 futurities, we have added significant money to the purses. A reconciliation is in the materials. JT pointed out that we had some areas that we went back and invested in, such as our sponsors. It is amazing that we were able to have the financial outcome for the events with the additional investment we made.
    - iii. We continue to test the show program. Angie has plans for additional testing at some events. The testing we have done has gone well.

- iv. We have also made some mild staffing adjustments.
- f. Next Steps. We are heading into a busy season in the accounting department, including tax preparation, and the preparation of the FY2022 budget. We will continue to keep a focus on safeguarding our liquidity, and the strong position of our balance sheet. This will give us flexibility as we move forward to make targeted investments and have a plan over 5 years for some growth and additional investments to make sure that we have our cash properly stratified in terms of a rainy-day fund and future investments. We will need to present a budget to this committee and the Executive Committee and will move forward with final approval from the board.
- g. 2021 Futurity and Sale P&L: JF discussed major variances between CY, PY, and budget. Both the Futurity and Sale did extremely well. In revenues, we have positive variances across the board. Looking at expenses, we are up to prior year and budget, but we had more events with the decrease in COVID and improvement in show production. There is detail in the materials, but the variances tell the story. Right now, between the 2 events, we are close to last year's totals. There may be a little fluctuation between this and the January P&L due to some estimates that will come in between now and closing of January financials.
- h. Purse Statistics: There is positive news and records everywhere. We had the most added money in the open ever, highest NP Levels 1-4 ever, and highest Level 4 ever. We had the best year for the purse since 2012, which is the year the stars all aligned.
- i. For the total show, the competition statistics for the event were up substantially.
- j. 2021 Markel Futurity Sale Summary: It is amazing when you look at the summary and look at the averages, you see how much higher they all are over prior year. Total average was up, sold was up, POs were up. Obviously, horses are in high demand and people are willing to pay for good horses.
- IV. JF presented the AR Aging report. He did not go over it in detail but asked for questions if anyone is concerned about accounts on the listing. We are in contact with all of these and collections are in process.
- V. AGM Presentation: JF discussed what he presents at the Annual General Membership Meeting. Much of this information has already been discussed in this meeting. He includes some memberships statistics, nomination numbers, Income levels, and statutory requirements, among other items important to our members. He asked for anything additional the committee would like included.
- VI. JT asked JF to put something together in terms of where we see ourselves heading in terms of earnings, cash position. Our budget gives us a positive NI. We are tracking on revenues and expenses. JF will look at trophies a little harder. We have a nice cash position and look to continue for the end of the FY.
- VII. There have been some conversations about international event funding. The EC would like to know what NRHA is making off of international activities, so he put some revenue streams together to come up with a net number. We need to be careful to not get too detailed with funding and lose the direction of the organization as a whole. We are trying to move the organization together and manage ourselves globally. He asked for feedback. We owe them transparency and ongoing methodology on how we are going to evaluate financial performance and other international components.
- VIII. A 5-year planning process will aid in the debate on how we are going to allocate resources, while not jeopardizing the financial strength of the organization. JT discussed the goals, benefits, and objectives of preparing this 5-year plan. With a 5-year plan, we can accomplish the transparency and consistency of our planning that our membership is looking for. Discussion ensued.
- IX. Meeting was adjourned at 1:57 P.M. CDT.

**Respectfully submitted by Chris Mossman, Sr. Director of Accounting.**