

Financial Report - Annual General Membership Meeting

Chief Financial Officer John Foy

February 6, 2024

Finance / Audit Committee

- ▶ Chairperson - Rob Curtis
- ▶ Loren Booth
- ▶ Rick Clark
- ▶ Bundy Lane
- ▶ Kevin Truax
- ▶ Mark Blake - Ex Officio
- ▶ Mike Hancock - Ex Officio
- ▶ John Tague - Ex Officio

Committee

financial reporting process, the system
annual audit, review financial
statements and resolve any disagreements between
management and the auditor
annual budget prior to presenting
to the Board of Directors for their approval
Provide Financial Report to the general membership at the Annual General
Membership Meeting
Evaluate financial needs and investment options

Finance/Audit Committee Responsibilities

oversight responsibilities for the financial reporting process, the system internal control, and the audit process

- ▶ Update Board of Directors on progress of annual audit, review financial statements and audit findings, and resolve any disagreements between management and the auditor
- ▶ Review financial performance and approve annual budget prior to presenting to the Board of Directors for their approval
- ▶ Provide Financial Report to the general membership at the Annual General Membership Meeting
- ▶ Evaluate financial needs and investment options

Association Health

- ▶ Strongest financial position in NRHA/RHF history
- ▶ Purses are growing, largest purses in NRHA history
- ▶ Membership is stable
- ▶ Media contacts have grown exponentially and we are reaching more people than ever before about Reining

We continue to drive value to the organization and our members

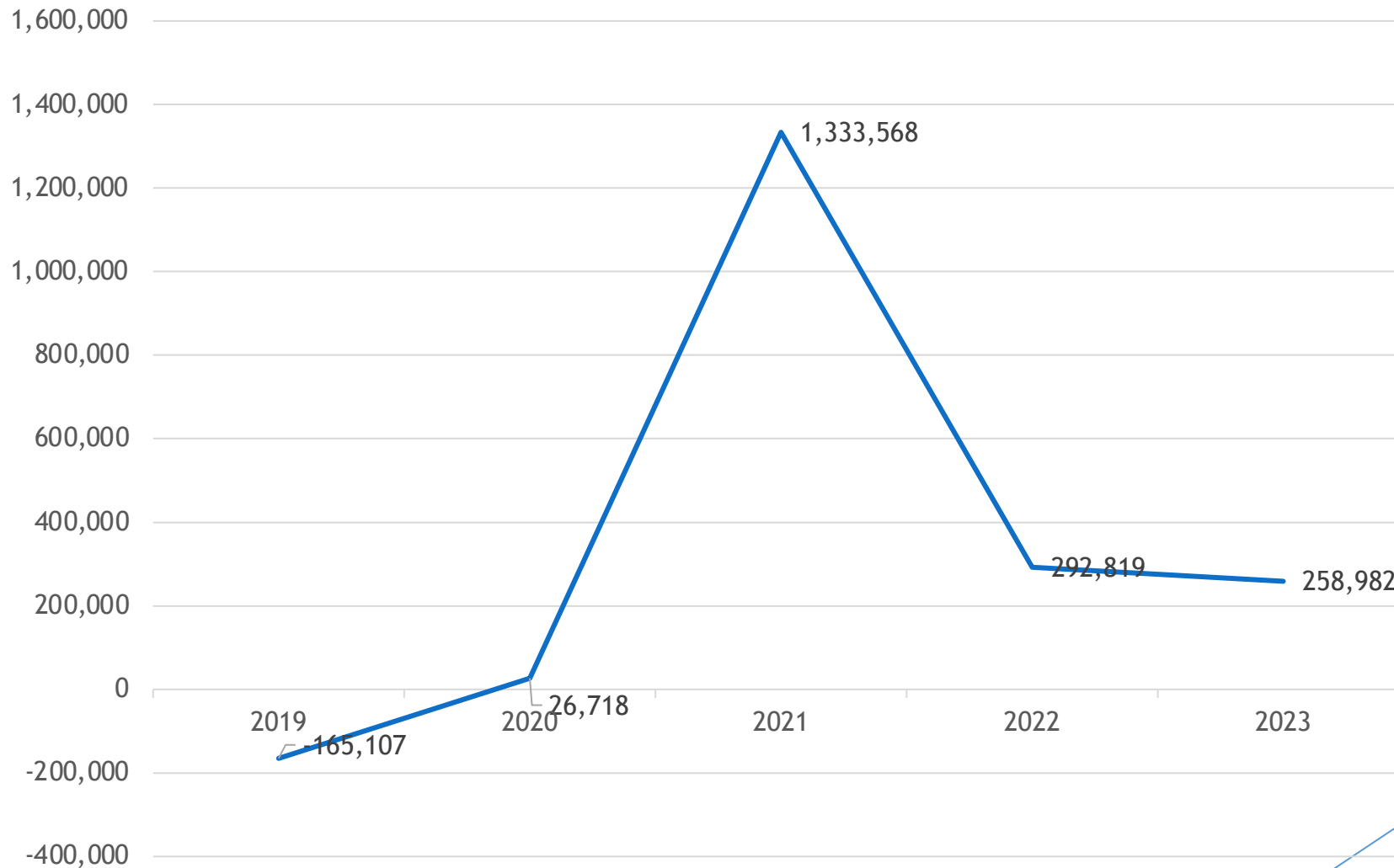
- ▶ Continue to reap the rewards from the dramatic steps taken in 2020 to improve our liquidity and improve our cash generation potential.
- ▶ Focus is removing excessive spending in areas that provide little return and investing in areas that can provide a return.
- ▶ Plan is to reinvest the fruits of this improved financial performance back into the association in places likely to continue to drive returns to fund continuous reinvestment, improvement, and safeguard liquidity.
- ▶ As a result of these actions we are investing almost \$600K more annually in Futurity added money and almost \$225K more annually in Derby added money. Increased purses should result in the increase in price of our horses, and increased sponsorship revenue.
- ▶ We will continue looking for ways to increase our investment in the association thru a variety of mechanisms, via tight and efficient operations, stewardship of our capital, new and expanded sponsorships, and price increases where our costs or core inflation require it.
- ▶ The association has the liquidity to manage thru a downturn in economic activity or other events that may not be foreseen by maintaining an appropriate emergency fund.

Audit Update

- ▶ 06/30/23 audit is completed
- ▶ Available on the NRHA website in members only section
- ▶ Governance letter from Auditor - No disagreements with management and no significant audit findings to report

Financial Performance - FYE 06/30/23 Results

Net Income (before investment activities)



2021 Performance Drivers

- Forgiveness of PPP Loan, drastic staff and operational cuts in anticipation of severe Covid economic decline, very positive NRHA major event performance not anticipated.

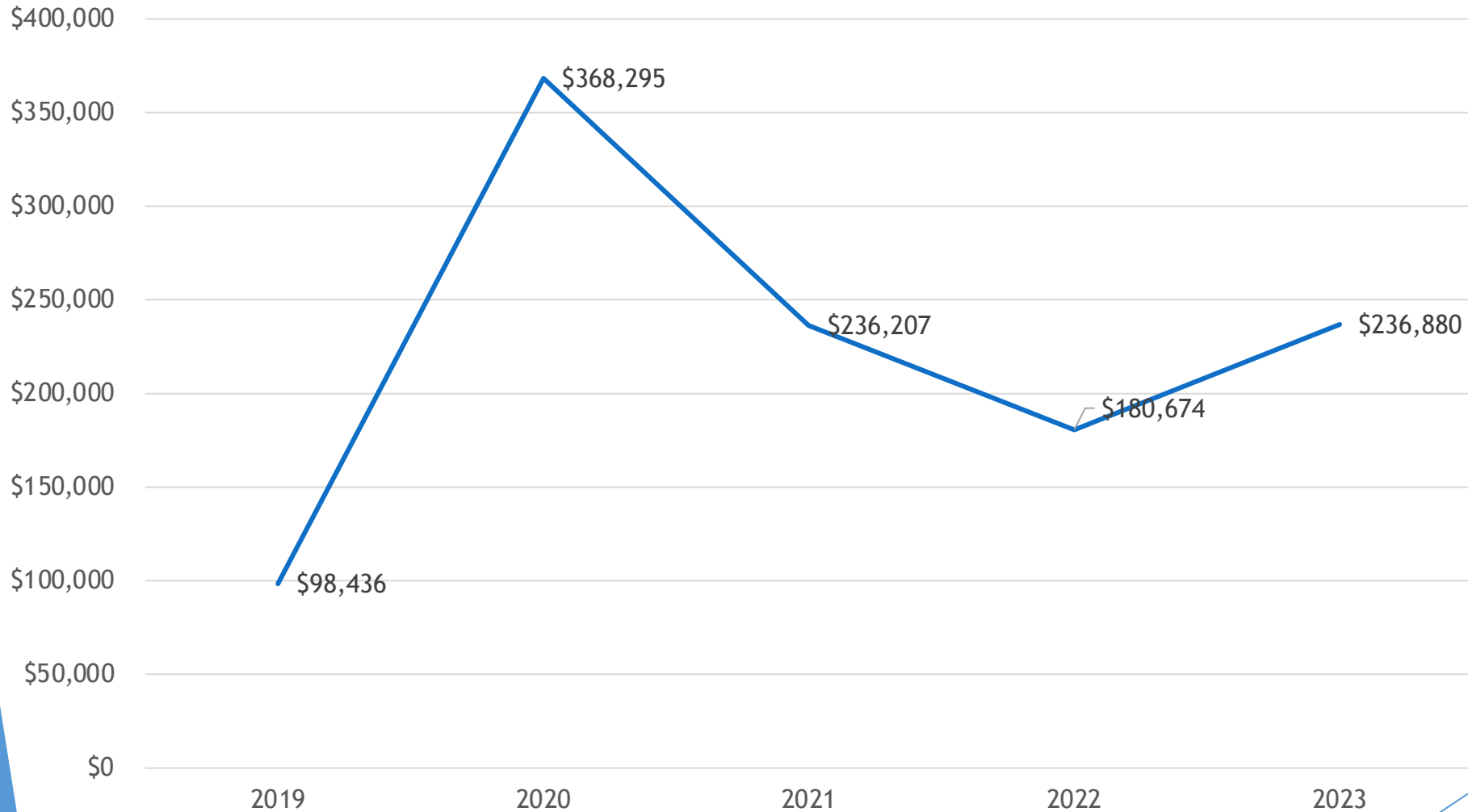
2022 Performance Drivers

- Additional added money for both the Futurity and Derby, creation of Educations & Official Department, and more normalized operations post Covid.

2023 Performance Drivers

- NRHA invested \$100K in the Four-year-old Tamarack Ranch Open and Colston Paving, Inc. Non Pro stakes.

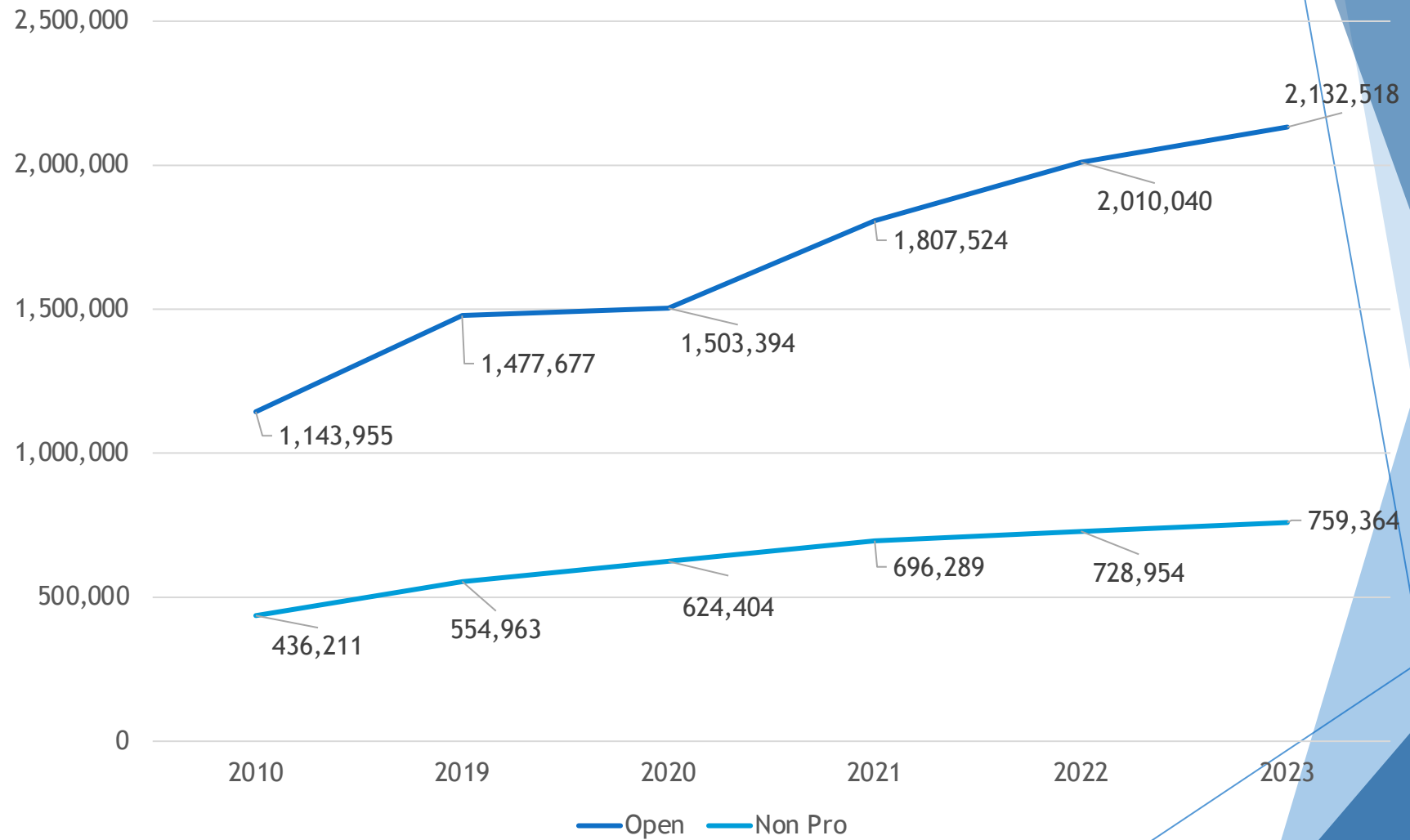
Futurity Net Income



2023 Performance Drivers

- Private Futurity added money funding expires after the 2024 Futurity. Sponsorship development as well as fee adjustments if needed to maintain this investment will be communicated in advance in conjunction with the annual 5-year budget and forecast.
- Approximately \$25K to be allocated to the Futurity through the end of the fiscal year (06/30/24).

5 Year Futurity Open and Non Pro Payouts Trend Line



2010 last futurity without nomination program added money

Futurity Purse Milestones

Open Level 1 thru 4 Purse

- ▶ **Most added money ever in Level 1 thru Level 4 Open Purse - \$1,163,529 - Prev record was 2022 at \$1,097,329 - Increase of \$66,200 (6%)**
- ▶ **Record Open Level 1 thru 4 purse - \$2,132,518 - Prev record was 2022 at \$2,010,040 - Increase of \$122,478 (6%)**
- ▶ **Record Open Level 4 purse - \$1,424,599 - Prev record was 2022 at \$1,356,657 - Increase of \$68,241 (5%)**
- ▶ **Record Open Level 3 purse - \$410,813 - Prev record was 2022 at \$385,499 - Increase of \$25,314 (6.6%)**
- ▶ **Record Open Level 2 purse - \$213,943 - Prev record was 2022 at \$193,924 - Increase of \$20,019 (10.3%) - First time to exceed \$200K**
- ▶ **Record Open Level 1purse - \$83,163 - Prev record 2022 at \$74,260 - Increase of \$8,903 (1.4%)**
- ▶ **Open entries up 100 over prior year - 8.5% increase. Total entries is 1,277 - Prev record was 2022 with 1,177**

Non Pro Level 1 thru 4 Purse

- ▶ **Record Non Pro Level 1 thru 4 purse - \$759,364- Prev record was 2022 at \$728,954 - Increase of \$30,410 (4%)**
- ▶ **Record Level 4 Non Pro Purse at \$429,441 - Prev record was 2021 at \$417,203 - Increase of \$24,552 (6%)**
- ▶ **Record Level 3 Non Pro Purse at \$182,475 - Prev record was 2022 at \$179,926 - Increase of \$1,503 (2%)**
- ▶ **Non Pro Level 1 thru 4 Entries at 636 - Up from prior year of 625 - Increase of 11 or (5%)**

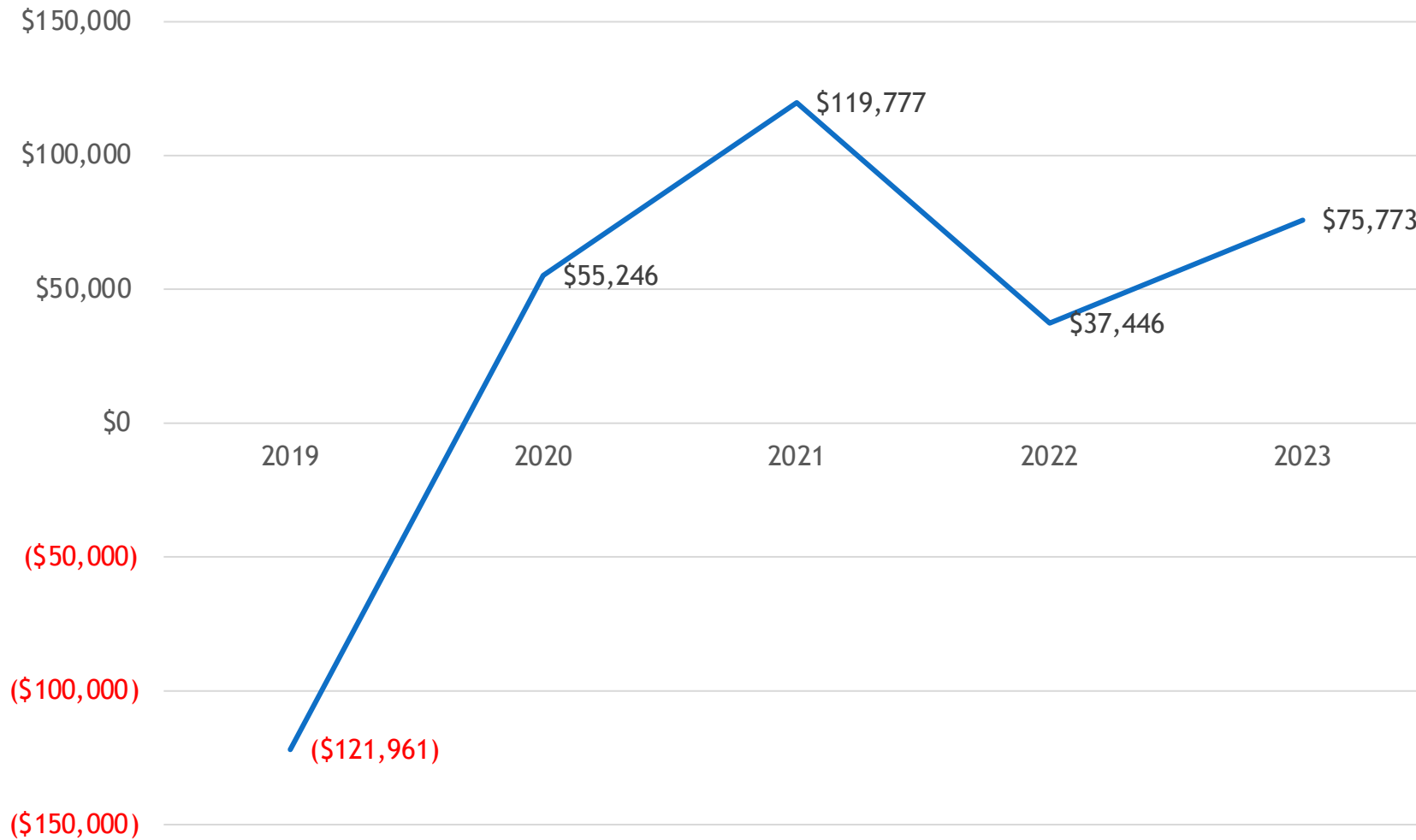
Record purse payout of \$2,891,883, previous record was 2022 with \$2,738,995 - Increase of \$152,888 or 5.6%

Total event reached a record \$3.140M in payouts, \$152K or 5% over prior year. Frist time to exceed \$3M in cash payouts.

What has allowed additional investments?

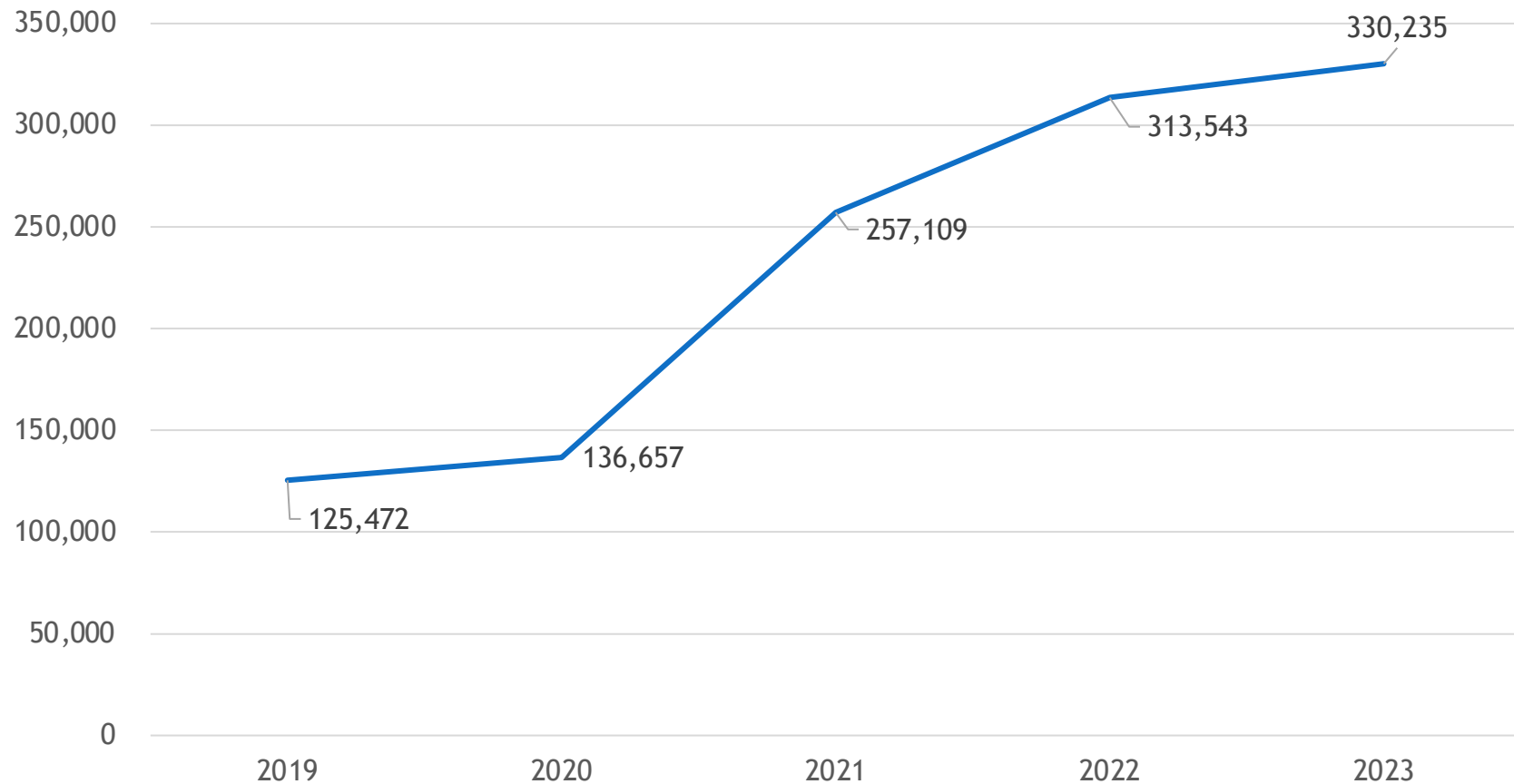
- ▶ Emphasis will continue on 5-year budget forecast and safeguarding liquidity and the balance sheet.
- ▶ Strategic focus to leverage NRHA's higher performing assets: NRHA Futurity, NRHA Market Futurity Sale, and NRHA Derby. Goal is to generate liquidity and ability to continue to invest back in the business and maintain an appropriate rainy-day fund.
- ▶ Significant investments in the Futurity and Derby have been made to allow the Futurity purse to grow. Private funding expires after 2024 Futurity. The 5 year budget and forecast anticipates filling this gap with increases in certain fees and sponsorship growth.
- ▶ Each year the 5 year budget and forecast will be updated for current forecast and inflationary pressures and steps will be taken as needed to maintain the needed liquidity to fund current and any potential further investments.

Derby Net Income



- Show days increased from 9 to 12 in 2022, a 33% increase in show days. This impacts almost every expense line item. Inflationary pressures from vendors managed best as possible.
- NRHA invested \$100K in the 4- Year-Old Derby

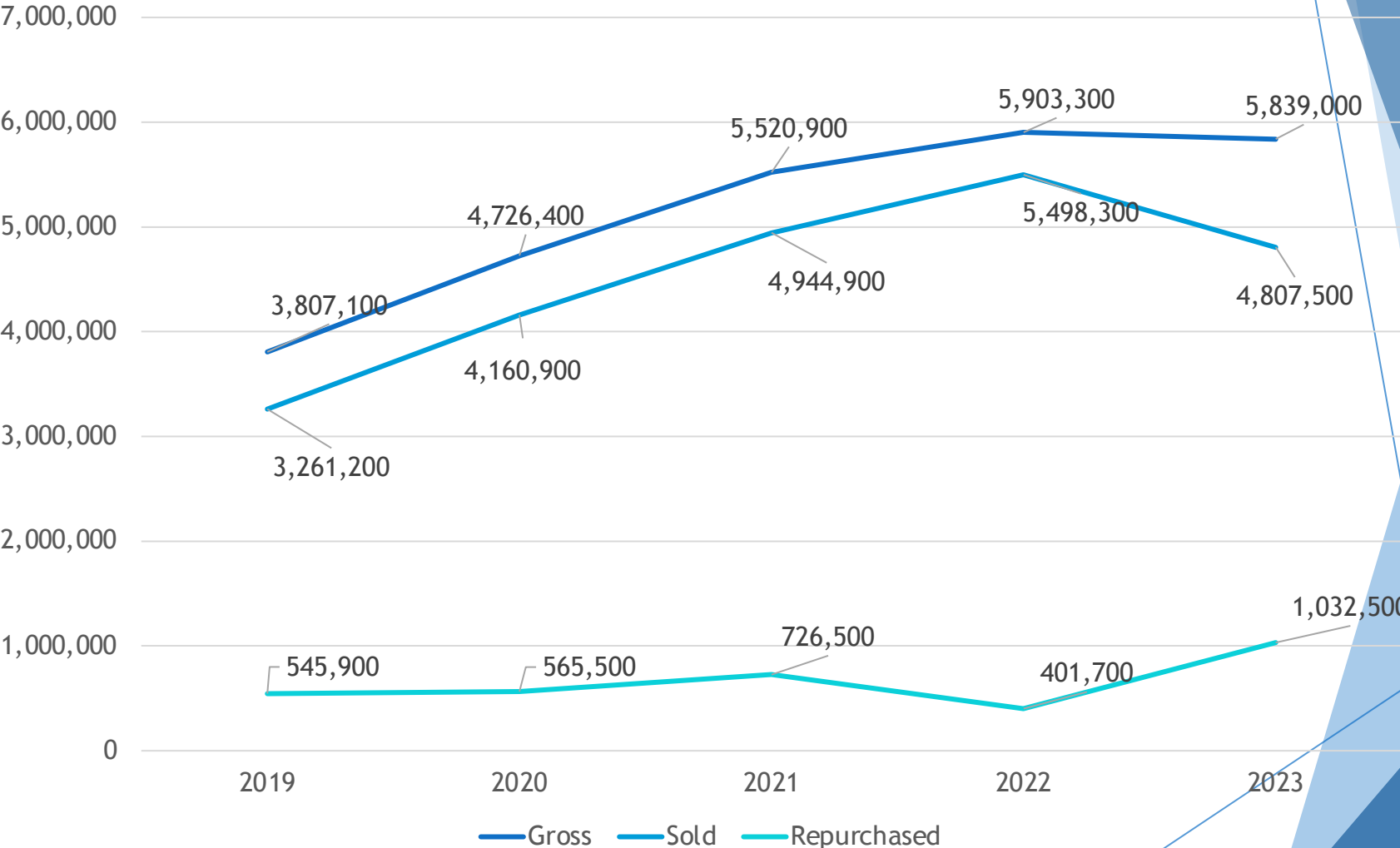
Markel Futurity Sale Net Income



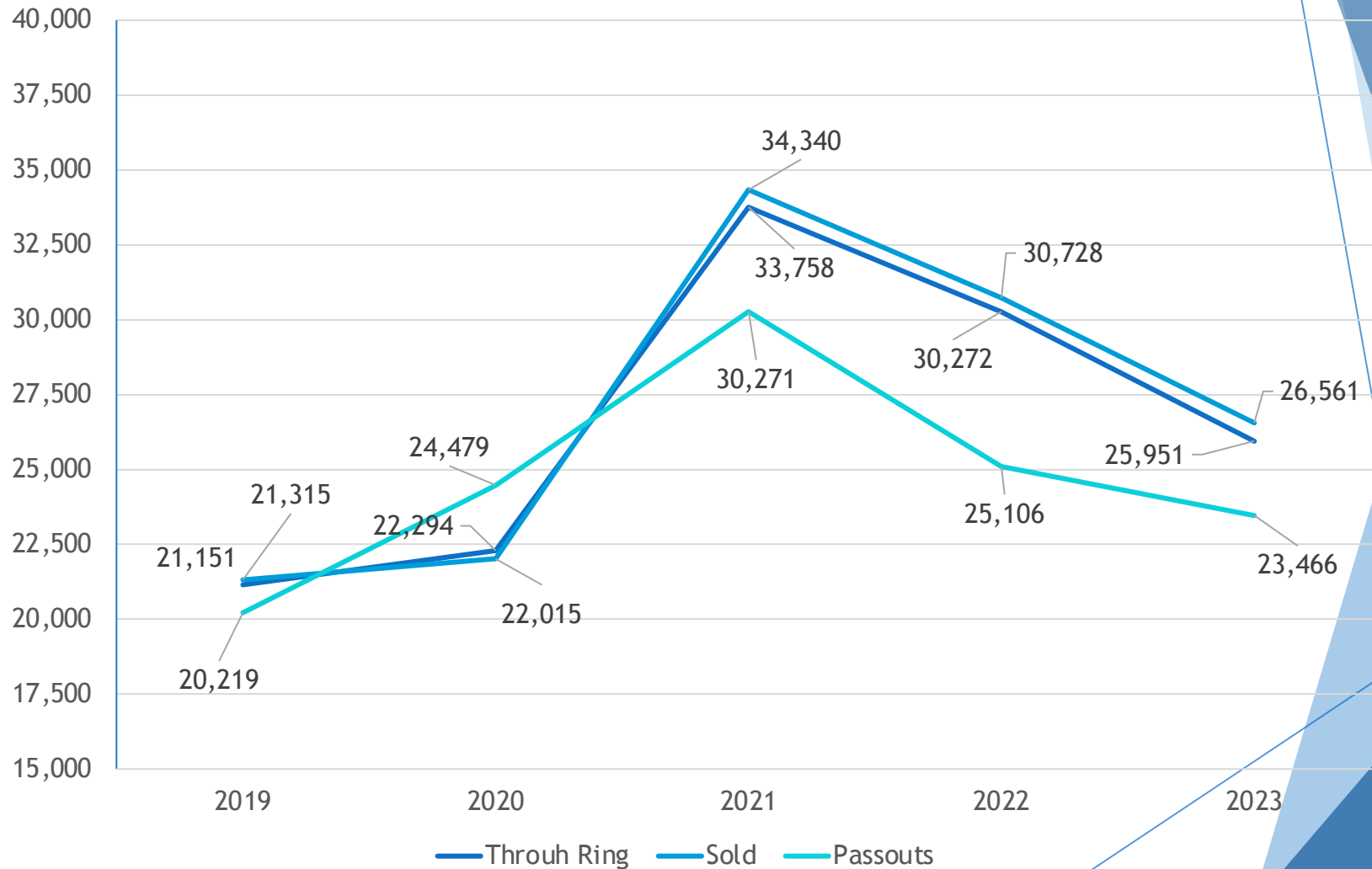
The sale has benefited from the following:

- Angie Honeywell (Director of ReinerSuite & Sale) has established consistency within the sale not previously achieved, good customer service and working relationships with consignors and buyers.
- Larger Reining purses adds value to Reining horses
- General increase in the FMV of horses
- Approximately \$18K in expenses to be allocated in through remainder of the fiscal year (06/30/24).

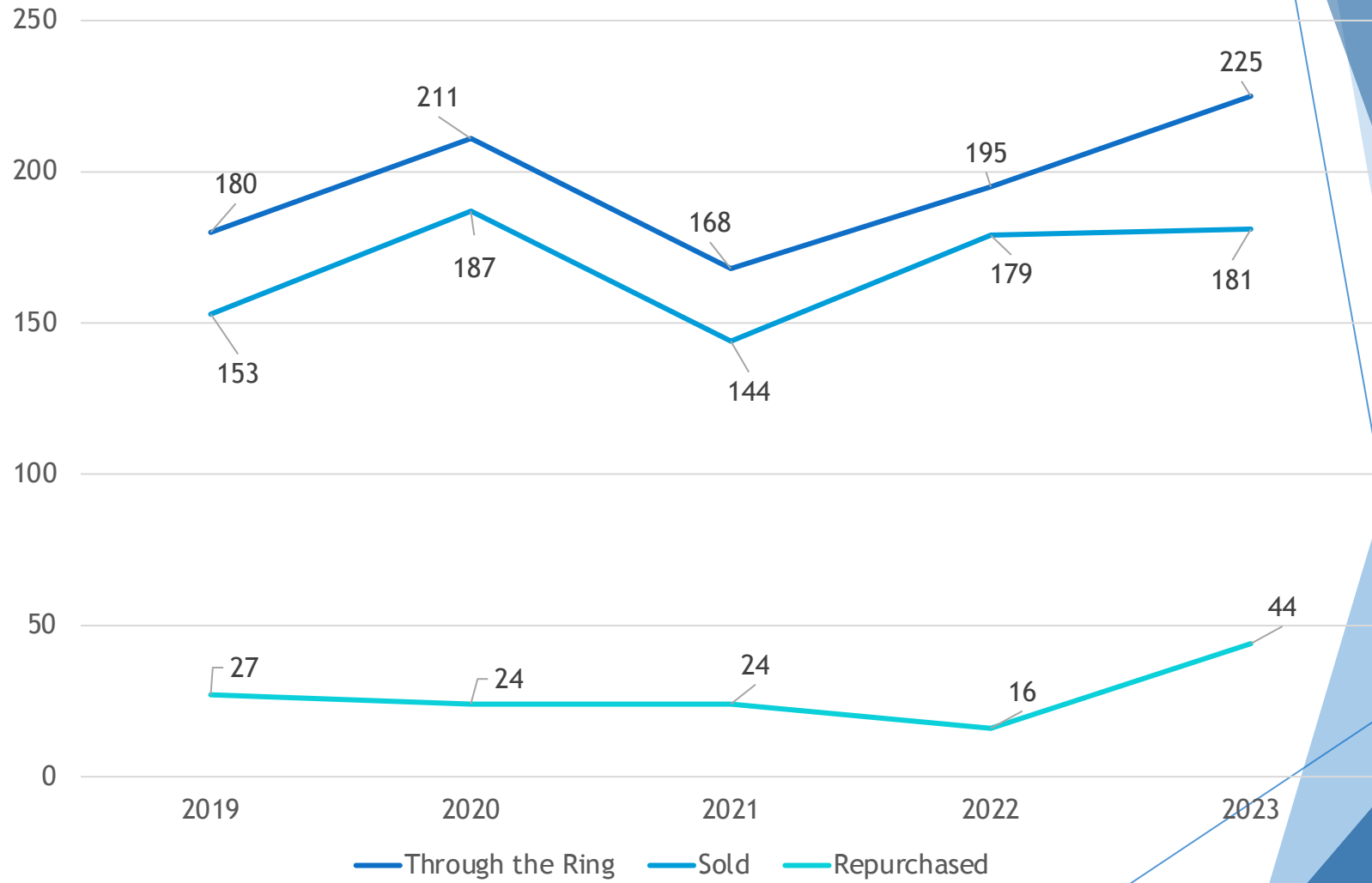
5 Year Sales Trend Line



5 Year Sale Averages Trend Line



5 Year Sales (Horses) Trend Line



Strategic focus to leverage our higher performing assets and performance in achieving those goals

- ▶ Maintain strategic focus and visibility on liquidity
- ▶ Enhance major event purses in order to leverage our highest performing, most visible, and impactful assets we have
- ▶ Net cash position as of 06/30/23 is \$3,996,840 versus \$1,325,000 position as of 3/31/20 (Start of COVID), a 202% increase. 5 year budget and forecast will remain an essential tool in meeting goals.
- ▶ Over the last 4 Futurities added a total of \$2,330,170 in new added money
- ▶ New to the Derby is the 4 Year Old Stakes with \$160K in added money

Statutory Compliance

- ▶ All IRS Form 990 (Return of Exempt Org) & 990T (Exempt Org Business Income Tax) tax filings are current
- ▶ Most recent Form 990's is on schedule to be completed by May 15th date
- ▶ All other tax filings current, such as payroll taxes, sales tax, and withholding taxes.

Next steps

- ▶ Continue focus on most strategic assets, liquidity, targeted investments to grow the business, and maintaining an appropriate rainy-day fund.
- ▶ Budgeting process for 2024-2025 fiscal year to start soon
- ▶ Budgeting process will benefit from a recently completed strategic plan