

**National Reining Horse Association
Minutes of the Finance/Audit Committee Meeting
Conference Call
April 27, 2020**

Present (all via conference call): Chairperson Mark Blake, John Tague, Rick Clark, Mike Hancock, Rob Curtis, and Tom McCutcheon

Not Present: NA

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

- I. The meeting was called to order at 10:05 A.M. CDT.
- II. The purpose of this meeting was to discuss the NRHA investment account and our next steps forward as it relates to the account.
- III. With the current position NRHA is in, with the current position NRHA is in, with the potential of being as liquid as possible and with the upside potential of some of our investments may not be as strong as the potential downside risk, Mark wanted to discuss giving John Foy the approval to liquidate a portion or all of the investments in the account.
 - a. **MOTION:** Given that we may need these funds sometime over the next 12-36 months and we cannot control whether we will, we should not put ourselves in the position of having to sell in what is clearly a volatile time, the Finance Committee would like to give John Foy the authority to fully liquidate the investment account. Motion by Rick, 2nded by John. Vote was unanimous.
 - b. It should be our policy that until the organization is generating substantial recurring cash flow, we should not invest in equities.
- IV. Mark asked Gary for an update of anything that relates to office space, rent, or potential changes that may have a financial impact.
 - a. Gary and John have discussed with the state fair about the rent and potential rent forgiveness. The state fair is open to proposals, and we are getting our strategy together. We could survive with about ½ the space, so short-term we need to ask for some kind of concessions from the fair. Longer-term, we either need to find a tenant to share or give them the opportunity to find a tenant to replace us. We don't need this much building going forward.
 - b. The committee feels we should set the target and Gary is just trying to carry the water. ½ the space at 1/3 of the price and 12 months of rent reduction.
 - c. If we were to look for a building in this area, what sort of a rent would we have? Gary said we could probably find something, and John gave an update on the current accommodations.
 - d. The committee feels Gary should does the negotiating but tells them he does not have the authority to commit. He would need to take the proposal to the board and EC to get their response.
 - e. John Tague can be involved in the discussion. This should not be adversarial. This is 2 entities with a problem that are coming together to solve it.
- V. Mark asked John to update the committee of the status to the Reiner.
 - a. Gary gave the committee a confidential update.
- VI. Mark asked for any additional conversation that may impact us financially.
 - a. Mike discussed the Derby. The variable portion of the Derby purse is the Entry Fee % and added money from NRHA. If we have less entries and less people attending, it would have a negative impact

on the purse and our loss in general. Discussion regarding what the community would prefer us to do if we had the show 4 weeks after the NRBC.

- i. We have a substantial loss this year. We are likely to face one next year unless we continue to manage costs. A platform like this gives us a good idea of what is potential and what isn't.
- ii. We have a significant number of trainers relying on our shows. We have to be careful on how we restructure it in location, timing of other shows, etc. Every solution has numerous ramifications. There is not an easy answer.

- b. **MOTION:** The committee recommends to the EC that we seek \$500,000 to \$750,000 in additional cost cuts and that we recognize that in order to achieve that we are likely going to have to find a financially responsible answer to the Derby and the Reiner going forward. These are 2 pretty big centers that have historically lost money and the headwinds over the next few years are probably going to be significantly greater. Motion by Rob, 2nded by John. Vote was unanimous.

VII. Meeting was adjourned at 10:39 A.M. CDT.

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