

Director's Report

AHA Board Meeting February 11-12, 2011

Overall this was a very productive meeting. The big changes relate to the Sweepstakes and to the classes added to the United States Nationals. I sent a summary out to all delegates, alternates and club contacts on Feb 15th that is on the website (in Newsletter section) so will not be included in this report.

The motion to add the ABHA club to Region 10 was approved. John Diedrich is the delegate for ABHA. Welcome ABAH and John!

Khrist Bythe Wind is the recipient of the 2010 Ambassador Award.

The Recreational Riding Committee has been dissolved due to poor support from the regions (none responded and only 6 returned reports)

President's Report

A committee headed by Dale Harville is working on a strategic plan which will come to the Board after approval by the Executive Committee. It is most likely that this will be on the August meeting agenda. Past president Myron Krause emphasized that the plan must have measureable goals, resource allotment, and be held to results or it is just words. Peggy Weems expressed a desire that we consider reorganizing the Board and asked that this be part of the plan.

The HRS computer system is in test and is working well. More on this in the IT report.

Executive Vice President Report

The net for the US Nationals Show will increase due to the Tulsa Convention Bureau paying balance due on commitments. They will also provide financial support for the 2011 US show.

Committee and Commission Activity Reports

Not all committee/commission activity is included—just those that I thought you would find of interest.

Committees

Agenda and Resolutions: The exact wording of 17-10 (changes to select rider rules set to take effect 12/1/11) is in dispute and is being researched. There seems to be some confusion as to the intent of a proposed amendment and whether that amendment actually passed. I believe that what AHA posted as the final version is incorrect, but we will have to wait on this.

Amateur: Has set up a subcommittee to study the current AOT/S rules with a more detailed report scheduled for mid year.

Competition Advisory: They are discussing going to a single list of classes for the Handbook. Concerning Regional Show conflicts, it appears that they would allow back to back Regionals in the same location. The one day show concept is going ahead without USEF involvement (other than permission to use their rules). This committee withdrew its motion to dissolve the Points Monitoring Committee and the National and Regional Classes Committee and assign their duties to their committee. There was strong Board opposition to one committee requesting the dissolution of another committee especially with no opportunity for these committees to respond. In my opinion, the Classes Committee does not serve a useful purpose anymore since we now add classes (and even entire nationals) without any research. I am not opposed to making these changes, but I do feel that this was not the correct way to do it. If a committee (or specific functions of that committee) were put in by resolution, changes should also be made by resolution. If a committee was created by the Board, then changes should only be made after all affected committees have notice and a chance to respond.

Convention Planning: 2012 convention is non-hosted and will be in Denver. Each region will be asked to bring two door prizes so we need to keep that in mind for the 2012 budget. This committee also has to come up with a theme and set up sponsorship levels. Assume that we will be getting a number of requests for money for this convention.

Dressage Committee: The new helmet rule goes into effect on March 1. This committee is working with the USEF Arabian Committee to get an exception for Arabian shows so that a helmet would only be required with warming up for dressage or while in the dressage warm up area. The committee is also working on revamping the AHA dressage awards and adding First Level Junior Horse to the classes list.

Equine Stress, Research & Education: The hoof subcommittee is investigating how prevalent is the use of bar and double bar shoes in the Hunter and English divisions and the number and configuration of pads. The genetic disorders subcommittee is

working on education materials and website additions as well as obtaining the WAHO position on genetic testing and reporting.

IT Audit Committee: The main focus is the completion of the HRS project and they are having weekly conference calls and are involved in setting priorities and determining the capabilities, features, and performance that is required for release. More on this in the IT Department report later in this report.

Judges and Stewards Committee: As of mid-January all positions for the National Shows have been filled. Go to http://www.arabianhorses.org/competitions/j-s/docs/11_judges_stewards.pdf to see the current list.

Market Development and Promotions: A strong focus is on helping clubs with their local promotion activities. Volume 2 of *The Sky's the Limit* handbook is available to help clubs. For 2011 they would like to see the website completely revamped. Plans are underway for an MDP Breeders Summit. Scott Benjamin is now a member of the MDP and is working with breeders outside of North America to forge collaborations with and add insights from other parts of the world. Special thanks to the AHOF for financial support.

Resolution 5-90 Task Force: Working with Commissioner on recommendations for the best way to evaluate judges and plans to issue recommendations later this year and will prepare any necessary resolutions for the 2011 convention.

Working Western: Working on desired changes to the national shows such as splitting the junior horse classes by age and class procedures for trail, cutting and working cow. The concern was expressed that we will lose the saddle sponsor for US if they are not allowed to set up by the working western arena.

Youth Committee: A very complete report on activities was given. I can provide a copy for anyone who is interested. The Youth raised almost \$20,000 in 2010. There was some discussion about the need for AHA to start contributing to the Youth programs rather than turning all of them into salespeople. Go to <http://www.arabianhorses.org/youth.asp> for 2010 results and 2011 deadlines. The next AHYA Board meeting is March 4-6, 2011 in Denver.

2010 statistics from the report include:

- AHYA convention attendees: 19 delegates, 13 other members
- Regional Team Tournament: 41 recognized teams from 10 regions, 9 non-recognized teams from 9 regions
- Creative Contest: 38 entries in 10 categories (deadline for 2011: June 1)
- Parade of Regions participants: 16
- Stick Horse Day participants: 28
- Hippology Contest participants: 83
- Novice Judging participants: 38
- US Nationals Judging Contest: 24 teams (10 college, 7 AHA, 7 FFA/4-H)

Commissions

Youth Nationals: Several new classes were added (sport horse under saddle and limit working cow). Jackets/buckles will be awarded one per exhibitor no matter how many wins.

Canadian Nationals: The SHUS saddle classes will be split into JTR and AATR. They may add SHIS ATH. The final class list will be determined at the meeting in Scottsdale. There was some discussion about the impact of the show in Lexington VA. Several Directors indicated that they did not think that this show was actually going to happen. There are some disputed expenses relating to the show that the Commission is working through with the facility.

Sport Horse Nationals: Some changes will be made for 2011. The AllTech arena will not be used although the barns will be. Hunter/Jumper will be in the Johnson Arena and dressage in the Rolex Arena. There will not be a patron's package but those purchasing a sponsorship package will get to request stabling. The show is September 29-Oct 2 which is a week later than was published in the 2010 Handbook. No decision on 2012 location will be made until after the 2011 show. It is possible that the show will be in Idaho in 2012.

US Nationals: The Commission was very pleased to get a congratulatory letter from the Professional Horsemen's group. All performance classes will be in the Ford Arena in 2011 with changes to the ring and patron lounge, better video screens, an upgraded look, and changes to the general seating. The patron area in the Coliseum will be changed with a new area where patrons can entertain clients. Tables will be sold individually and these patrons will also get a table in the Ford Arena. Patrons

will be able to buy additional meal tickets. Two additional barns will have new stalls. Additional halter classes are part of the Sweepstakes changes. Championships will be judged comparatively.

Distance Rides: The Board approved criteria for a new Distance Horse of the Year award (for lifetime achievement). The location for the 2011 Distance Nationals is Fort Stanton, NM to be held August 23-27 as a joint ride with the AERC Nationals. The endurance portions will be held with the AERC event with the competitive trail being the sole responsibility of AHA. The 2012 Distance Nationals will be in Virginia. The joint ride will be reconsidered each year but the AERC management is all for joint rides.

Registration Commission: 2011 meetings will be in the spring at North's Arabians (CA) and in September at Oak Ridge Farm (IL). The Commission discussed the problem with identifying rescued horses so that papers can be issued in the new owners' names. Some rescues will not sign over papers unless the horse is neutered which is very expensive for mares making mares hard to place in new homes. This will be discussed at the next National Pedigreed Livestock Council meeting.

Treasurer's Report

With the impending release of HRS and the payments from the general funds back to the Sweepstakes, etc winding down, we are finally seeing the light at the end of the financial tunnel, BUT we are still at risk and need to be very careful about our spending.

We should end fiscal 2010-2011 (FY11 hereafter) with a profit even though the budget took a big hit from unexpected expenses relating to the Canadian Nationals. This is being investigated as many of these were not in the contract. Information about FY12 and the budget will be discussed later. See **FY12 Budget** section below. If anyone wants to review the financials, contact me and I will send you the complete December report. Following are some highlights.

Sweepstakes, Futurities, Yearling Jackpot:

- All payments from the AHA general fund back to the appropriate restricted fund are being made on time and in full.
- FY11 Sweepstakes entry revenues are \$786k through December. Preliminary analysis shows \$1,100k in revenues through January. This is down from FY10, where entries were \$826k through December and \$1,252k through January.
- FY11 Halter Futurities entry revenues are \$129k through December. Preliminary analysis shows \$222k in revenues through January. This is down from FY10, where entries were \$185k through December and \$305k through January. The total balance of the Fund will decrease in FY11 by an estimated \$115k. Prize payouts in FY11 are \$347k and entry revenues will likely finish around \$232k.
- FY11 Performance Futurities entry revenues are \$322k for FY11, up from \$306k in FY10. Entry revenues and prize money payments will be approximately the same in FY11.
- FY11 Yearling Jackpot entry revenues are \$18k for FY11, down from \$25k in FY10. Entry revenues and prize money payments will be approximately the same in FY11.

Highlights for December (compared to budget) include:

- Modern Arabian Horse net was \$21k better than budget. Magazine revenues were less than budgeted, cost savings in printing, postage, and commissions offset the weak revenues.
- General and Administrative expenses were \$29k lower than budget, which is the result of \$31k being capitalized for HRS development labor (which has no effect on cash flow).

Disappointments (compared to budget) for the month were:

- As discussed above, Canadian Nationals net decreased (by \$67k) so Canada is currently showing a \$61,176 loss.
- Halter Futurities (the unrestricted AHA portion) net was \$8k less than budget, which was the result of weak administration fee revenues.

Positive YTD results (compared to budget) include:

- Purebred Registrations net is \$33k over budget, from strong revenues. (Note that year over year, registrations net profit is down \$90k.)
- Competitions (the department) expenses are \$26k less than budgeted, mainly from lower than expected contract labor costs.

- Youth Nationals net is \$8k over budget, with a project net profit of \$345k. (Note that year over year, YN net profit is down \$58k.)
- Sport Horse Nationals is \$64k over budget, with a projected net profit of \$115k. Competitions net is \$9k over projections, due to service fee revenues.
- Modern Arabian Horse net is \$17k over budget.
- Youth Programs net is \$24k over projections, the result of both strong revenues and low expenses.
- Market Development is \$17k better than budget, due to low expenses.
- Building Services expenses are running \$13k less than expected.
- Information Technology expenses are running \$14k less than expected. Note that these cost savings are unrelated to capitalized labor costs for HRS, as IT labor is part of the G&A department.

YTD disappointments (compared to budget) include:

- Including the FY01-FY10 Halter Futurities revenue adjustments, US Nationals net is currently \$71k off budget, with a projected net profit of \$916k. Based on current year operations, US Nationals net is \$147k off budget, with a projected net profit of \$841k.
- Including the FY01-FY10 halter Futurities revenue adjustments, Canadian Nationals net is currently \$65k below budget, with a projected net loss of \$3k. Based on current year operations, Canadian Nationals net is \$123k below budget, with a projected net loss of \$61k.
- Premier Breeders Series has incurred \$8k in start-up costs. As the program progresses in future years, revenues due to AHA are expected to offset these start-up costs.
- Futurities net is \$12k below budget, due to weak administration revenues.
- Sponsorships net is \$132k off budget. Of this shortfall, \$43k is due to weak revenues and \$89k is due to high expenses. In prior years sponsorship revenues identifiable to specific events (national shows, AHA Convention, and Youth Programs) were not allocated to those events, but instead recorded only in the Sponsorships department. For FY11 these revenues are being allocated to specific events, which are accomplished by recording expenses to the Sponsorships department and offsetting revenues to the specific events.
- Convention's net is \$20k less than budget.
- DataSource net revenues are \$27k below budget.
- Accounting net is \$34k below budget, which is mainly due to recording \$30k for FY10 expense funding of the Contingency (aka "rainy day") fund.
- The Half-Arabian / Anglo-Arabian Promotional fund's net is \$15k worse than budget, the result of expenses running higher than revenues. Note that this fund is expected to operate at break even.

Positive comparisons to last year include (on an YTD basis):

- Staffing reductions in late FY10 have significantly contributed to FY11 cost reductions, with combined savings of \$271k.
- Competitions net is \$72k over last year, which is the result of higher service fees.
- Modern Arabian Horse Magazine is \$213k ahead of FY10, due to stronger revenues and significantly reduced expenses.
- Youth Programs net is \$27k better than FY10, due to higher revenues and lower expenses.
- Human Resources expenses are \$26k lower than in FY10.
- Information Technology expenses are \$73k less than last year, mainly due to reduced maintenance and service agreement costs. Note that \$11k of this expense reduction is from depreciation.

Disappointments compared to last year include (on an YTD basis):

- Purebred Registrations net is off by \$90k, due to weakening revenues.
- Membership net is down by \$105k, due to declining revenues.
- US Nationals net is currently \$53k less than last year's final.
- Youth Nationals net is currently \$76k less than last year's final. Note that \$80k of New Mexico grants occurring in FY10 expired and did not carry over into FY11.
- Judges and Stewards net is down \$66k, mainly due to increased expenses.
- The Half-Arabian / Anglo-Arabian Designated Fund's net is \$56k less than last year.

Statement of Financial Position (i.e. the balance sheet for commercial entities):

- Unrestricted operating cash is \$202k lower than the prior year (\$1,242k vs. \$1,444k in FY10).
- Working capital decreased by \$566k during December (from \$436k to -\$130k).
- December working capital is \$64k worse than the prior year (which was -\$66k in December 2009).
- The AHA Operating interfund debt decreased by \$576k in December. December unrestricted operating interfund debt of \$1,222k is \$424k lower than the prior year's December balance of \$1,646k. December's dramatic decrease in interfund debt is a combination of paying both Halter and Performance Futurity prize money, the reclass of FY01-FY10 Performance Futurities entry revenues

Two fee increases are planned:

- Convention registration from \$200 to \$225 (last increased in 2005)
- Embryo Transfer Fee from \$50 to \$100 (more information in budget portion)

There was some discussion that the ET fee should be different based on the number of ET foals per mare. This will be considered.

FY12 Budget

The budget was approved after extensive discussion. I am satisfied that all line items were carefully scrutinized and that this is a reasonable budget based on better financials, better projections and increased historical analysis. It assumes continuing declines in registrations and memberships and projects a net profit of \$282,797. One of the areas of concern is that this is a very thin profit margin and one big financial setback could be disastrous. We all realize that we are not out of the financial woods yet but with no further external costs for HRS and the end of the interfund payments in sight; we are looking to better financials starting in FY13.

Department Updates

Only significant updates are included.

Personnel & Office Services: AHA has 42 full time employees, down 1 from last year. Staff is at the minimal level to provide quality support and no additional cuts are planned. Non-essential building maintenance has been postponed.

Accounting: Corrections were made in December 2010 in the halter futurities interfund that moved money from the futurities interfund to the revenue line for the US and Canadian nationals. Practices are now in accordance with procedures deemed acceptable in AHA's FY11 audit. Other activities include budget preparation, an in-depth analysis of AHA's salary and administrative cost allocation structure, and ongoing improvements in financial reporting.

Competitions: New classes were added to all of the national shows. Shows were budgeted for national shows at 940 horses for Youth, 760 for Canada, 500 for Sport Horse, and 1725 for US. One day shows are up and running with 2 approved as of the date of this report. Contrary to what many of us thought, these shows MUST be sponsored by a club or other organization (such as a State Fair board) and MUST be approved by the Director. The Handbook is done but there is no Index in the online version. If you want an index, contact the Competitions Department. Show statistics indicate entries and horses shows have been flat since 2006. In typical AHA fashion, the decision made several years ago to stop reimbursing regional shows for scorer expenses was not implemented. While no one is going to be asked to give money back, this reimbursement will not be given for 2011 and beyond. Omnibus will be out at the end of April and will be mailed to owners and exhibitors for the last four years. All members can request a copy at no charge.

Sweepstakes: Go to www.region10arabians.com, select the Newsletters section and then select Major Sweepstakes Changes.

Futurities: Country English Pleasure Futurities for both Arabian and HA/AA added to US Nationals. The 2010 Performance Futurity/Maturity paid out over \$309k. Top futurity payment of \$6,343 was to HA/AA Reining Horse champion and top maturity payment of \$8,261 to Arabian Western Pleasure AAOTR.

Achievement Awards: 776 horse plaques were issued in 2010 down slightly from 768 for 2009 and 154 amateur awards in 2010 compared to 173 for 2009.

Registrations: As of 12/31/10 4,912 Arabians and 1,758 HA/AA registrations were completed. Registrations were down for Arabians by 11% and 14% for HA/AA from 2009 continuing the decline of 9% and 22% respectively from 2008. While there are more Arabians registered in 2010 than in 2001 the number of horses registered each year (and transfers) have both been

cut nearly in half during that time period. Since reporting of decreased horses is spotty and horses are not presumed dead until age 30, there are most certainly less living Arabians than the report indicates. The complete report can be found at www.region10arabians.com in the Director's Report page as **2009-2010 Comparison of Program Statistics** and **2001-2010 Comparison of Program Statistics**.

It was noted that all breeds are showing downward trends. Arabians are 6th on the list of number of registered horses but if you add the HA/AAs in, the combined registrations move us to 4th behind Quarter Horses, Paints and Thoroughbreds. Comparing 2009 and 2010, the largest decline in registrations is in Paints (23.97%) followed by Tennessee Walkers (16.57%) and Appaloosas (15.78%) with Arabians 7th in percentage of decline. The complete comparison can be found at www.region10arabians.com in the Director's Report page as **2010 Breed Registration Trends**. The breeds are working together in the National Pedigreed Livestock Council (our own Debbie Fuentes is the President) to promote registered animals.

National Shows: All shows except Canada showed a decrease in horses entered, horses shown, and classes entered from 2009 as follows-- US Nationals was down 8.1%, 8.2%, .8%, Youth 5.8%, 4.6% 15.2%, and Sport Horse 23.4%, 24.9%, 23.7%. The Sport Horse numbers are misleading and really should have been compared to 2008 (Idaho). Canada was up 9.6%, 10.3%, 15.1%.

Other Shows: The number of recognized shows or rides was down 9% with entries down 3.6% and horses entered down 5%.

Memberships: Overall memberships were down 9% from 2009 with the largest drops in Youth Competition (8.7%) and Youth Base, formerly called associates, (25.3%) This is a most alarming statistic and one about which we need to be very concerned.

Information Technology: The main focus is completing testing and fixes and releasing HRS. Parallel testing started Jan 24 and continues. There are performance issues that need to be resolved. The IT Audit committee is involved in setting priorities and determining the capabilities, features, and performance that is required for release. The IT report indicated a March 1 release but the Audit Committee suggested that a more reasonable date would be April 1. I brought up that managing to a specific date is a bad practice and that the first step is setting the absolute minimum feature set and performance metrics which drive the release. Setting dates is not a good way to manage IT projects since there are too many things that can go wrong. On the positive side, there are no hardware issues, all work is now being done internally, parallel testing revealed very few problems, and the number of 'tickets' (aka bug reports) is small with most of them in testing. The performance issues are the most difficult problem with some activities such as going to the page taking 4-6 times longer than the current IBM system.

Once HRS is released, the old equipment will be sold and the focus can shift to other projects such as a complete website design.

Marketing: The Facebook page is being updated. We are not on Twitter. There is ongoing redesign of e-blasts and Insiders. MAH won the 2010 USEF Association Publication of the Year. A soft launch of www.modernarabianhorse.com occurred on February 10th with more aggressive promotion to occur soon. Ongoing efforts to gain and retain sponsors. The Galleries are a huge success. AHA and MDP will assist with materials, planning and financial support for horse fairs but will not send staff. DataSource apps are being developed at no cost to AHA for mobile iPhone and Droid. Equine Creative Group is a new corporate sponsor and is the official video streaming provider for AHA. I have been contacted by them and passed it along to Nancy. It is my understanding that there is no charge to the Region for this.

Arabian Horse Foundation

Their website has been updated. They will be joining WAHO. They will be asking for money, but I think that they use the money wisely so please be generous. A letter to club presidents and show managers was sent. Terry Johnson (Region 17) is a new board member.

Arabian Jockey Club

Race sponsorships are improving. The Arabian race at Keeneland in 2010 was a great success and will be run again with a larger purse in 2011. There are new stakes races at Sam Houston. Purses will be enhanced by \$10k for the California Fair Circuit with another \$75k for other races. Darley Awards are March 5th in Houston. Linedancer will be inducted into the Arabian Race Horse Hall of Fame. Special thanks to Kathy Smoke for her efforts in promoting Arabian racing.

Purebred Arabian Trust

Traffic through the Arabian Horse Galleries has been even greater than anticipated. Traffic flow problems have been identified and the Trust will be involved in extensive redesigns that will improve access and flow. This is costly and the Trust will be fund raising to cover the costs.