

AHR Board of Director's Meeting April 2014

TOPICS	DISCUSSION
	The April 2014 meeting was called to order by Brian Mitteer at 8:09 p.m. (EST). Attending were: Susie Haszelbart, Ian Wengerd, Andrew Yoder, Melanie Cornman Chuck Hendershot, and Ruth Schwab. Dave Kraus absent with notice.
I. Old Business	
II. Office Update – Ruth Schwab	For the month of March 2014, I completed 15 foal registrations and 70 transfers. There are 140 stallions renewed so far for 2014. We currently have 696 members for 2014 and 351 2013 members that have not yet renewed. We have 25 Youth members in 2014 and 19 2013 members that have not yet renewed. There are 62 magazine subscribers. During March our Website homepage was viewed over 3000 times.
III. Committee Reports	
1. AHR Youth	Lisa Matheny – Chair, Dave Wilson – co-Chair; Members: Lisa Schott, Sherry Bradshaw, Ian Wengerd. Newsletter is in house and ready to be printed and distributed.
2. By-Laws	Paul Sutton – Chair Members: Ian Wengerd, Brian Mitteer, Andrew Yoder. Nothing to report
3. Classification	Bill Hendershot – Chair; Members: Chuck Hendershot, Jennifer Rousseau, Robert Eicher, Ray Miller. Reminder included in Feb/Mar and April/May issue of Haflinger Horse that we need commitment by 5-15-14. No commitments yet. The Committee is in the process of finalizing the language for the rule changes.
4. Finance	<p>Chuck Hendershot – Chair Members: Board of Directors (Office Consultant Ruth Schwab)</p> <p style="text-align: center;">AMERICAN HAFLINGER REGISTRY 2014 OPERATING BUDGET BASIS OF ESTIMATE SUMMARY</p> <p>Overall the budget for 2014 projects results similar to 2013 with a total loss for the Registry of approximately \$6,000. Revenues overall are projected to decrease 5% year over year, decreasing from \$207,000 to \$196,000; while expenses are projected to decline from \$213,500 to \$202,000, primarily due to the adjustments we made in personnel and staffing in the office at the beginning of the year. The remainder of this report summarizes the basis of estimates for specific budget line items.</p> <p>MEMBERSHIP SERVICES- Overall Membership Services (Registry Operations) is projected to lose \$26,000 in the 2014 Budget. This is a significant improvement over the \$44,000 loss experienced in 2013. Although revenues are projected to decline again, moves by the Board to reduce expenses in the area of personnel costs are projected to more than offset the revenue declines.</p> <p>REVENUES - Membership Revenues are projected to be flat with 2013 actual results at \$32,000; this is down from 2013 budget and 2012 actual results by approximately \$10,000. This is our life blood and we can not simply accept continual declines of 20% each year and remain a viable entity, without significantly increasing fees for membership and other services.</p> <p>Registration Revenue also projected to be flat with 2013 actual, which represents a decline of \$3,500 from the 2013 budget and 2012 actual results. It appears that there is more interest in breeding this year and that should help stabilize this revenue flow.</p> <p>Stallion License Fees are projected to decline \$980 from 2013 results and \$2,000 from 2013</p>

budget and 2012 actual results. The estimate follows existing trend lines and reflects that breeding will have to stabilize and improve before we see a significant increase in this area.

DNA Testing Revenue has experienced two very good years with 2013 actual results outpacing budget by over \$3,000, with revenues of \$8,335. However, with registration numbers being projected to be flat to down this year the budget for DNA Testing is held consistent with 2013 budget of \$5,000.

Transfer Revenue is projected to be flat with 2013 actual results. The budgeted revenue line of \$30,000 is down about 10% from 2013 budget and represents steady declines in the last several years, so we are projecting a bottoming out on transfer fees and hopefully we will see an up turn in this area.

Other Revenue consisting of Web Page, Interest, Membership Meeting, Office processing and Lease processing total approximately \$5,000, with the budget for each category based on historical trends and prior year performance. There are no major changes expected in these line items in 2014.

EXPENSES

Personnel Costs, consisting of payroll, health insurance and payroll taxes are projected to decline \$24,000 compared to 2013 actual results. The reduction in expenses is directly attributable to the reduced staffing in the office effective January 1, 2014. These reductions are also the primary drivers in the overall expense reductions in 2014.

Facility Costs are projected to be \$3,300 lower than 2013 as we benefit from a full year of the rent abatement negotiated on our current facility. The overall annual savings in approximately \$5,500, but we partially benefited from the lower rate in 2013.

DNA Blood Typing is projected to be \$2,350 below 2013 results; this decrease is consistent with the projected decline in DNA Testing Revenue. This expense line-item will move in direct correlation to the revenue recognition for completed tests. AHR records the sale of DNA Test kits as deferred revenue and a liability for services to be provided in the future until we are billed for the DNA test by the Texas lab. When we process the bill, AHR recognizes the revenue associated with the test at the same time as we recognize the corresponding expense for the test.

Other Expenses including computer operations, advertising, breed promotion, elections expenses, printing, office supplies, professional fees, World Federation dues, postage and delivery and insurance costs are projected to be consistent with prior year expenditures allowing for a marginal inflation rate.

PROGRAM BUDGETS

Overall program budgets are projected to provide approximately \$19,500 to the general operating fund in 2014. This is significantly down from 2013 as we are not projecting the one time windfall received by the Youth program in 2013, nor are we projecting the outstanding contribution received from the National Show in 2013, which provided AHR with nearly \$6,000 in operating funds. Additionally, all other programs are projected to perform slightly below 2013 results.

Youth Programs without the contribution received in 2013 Youth program revenues are projected to return to more normal levels with revenues of \$400 for the year from membership dues. Expenses are projected to be higher than historically experienced as the committee begins to spend some of the funds received in 2013 to benefit this activity.

Classifications provided a significant contribution to the general fund last year, as our judges donated their time and expenses to complete a full inspection at the National Show. We do not project a duplication of this effort in 2014, so expenses will return to normal which still should provide a contribution to the general fund of approximately 6% of the

revenues generated from the inspection. Only one inspection is planned for 2014.

Fun Auction is projected to produce \$3,000 for the general fund in 2014. This is consistent with the last several years.

National Show is projected to breakeven in 2014, after showing a \$5,800 profit in 2013. It is not our intention to run this show for a profit, but with the separation of the draft discipline to the Indiana State Fair and the discontinuation of the payouts for the Pleasure disciplines, it is possible with solid sponsorship and attendance. However, this is not our aim, so the program is budget to breakeven with revenues consistent with 2013 and expenses in line with revenues.

Magazine is projected to provide a profit of \$9,000 in 2014. Revenues are projected to be flat with 2013, advertising is projected at \$19,200 and the allocation from membership revenues is projected to be \$16,800 based on a flat membership base. Publication costs are projected in-line with 2013 with a small allowance for increased postage and printing costs.

Sales and Auctions are budgeted to provide a contribution to the general fund of \$7,500 in 2014, down slightly from 2013. Revenues are projected to be flat year over year, with horse sales holding their own and the tack sale to be down approximately \$1,300. Expenses are projected to be consistent with 2013, which probably means a tight management of expenses, as no allowance has been made for inflation in this area.

Other Programs the other programs, Judges, Futurity, High Point and AHR Store Operations are budgeted to breakeven in 2014. The AHR store is budgeted as a discontinued operation and we will record the sales from the current inventory, but we have no plans to add new inventory at this time. Also, do to the limited sizes in inventory, 3X and above in most categories, we do not expect a robust closeout sale. The other three programs should be operated at breakeven and benefits to our members and not as contributors to the general fund. No budget was established for the D&T Assessment program as we decided to suspend this program until there is a demonstrated interest and an adequate participation level to consistently cover program costs.

These notes read in conjunction with the budget worksheets should explain the development of the operating budget for 2014. It is not a budget without risk. However, it is a conservative budget and one that we must work hard to achieve or better yet, exceed in 2014. There are very few expense line items of significant amount to cut as an offset to further declines in revenue. Our next expense cut would be to close the office and move to a complete volunteer organization. Therefore, our focus needs to be on stabilizing and growing the revenue base.

AMERICAN HAFLINGER REGISTRY
MARCH 2014 FINANCIAL STATEMENTS

Overall the financial performance of the registry in 2014 is significantly ahead of 2013. The loss reported for the first quarter of 2014 is \$1,667 compared to a loss of \$8,599 for the same period the prior year. Although actions taken by the Board at the beginning of the year to reduce staffing in the office and the negotiated rent abatement for our office have reduced expenses by approximately \$10,000, the continued decline in revenue partially offset these savings resulting in a loss for the quarter. However, if we can continue to minimize the loss from the registry operations for the year and successfully execute on our programs we have a chance to breakeven or perhaps report a positive result for the year.

REVENUES

Revenue shortfalls were experienced in most of the critical revenue sources during the first quarter. DNA Testing decreased \$1,930 from the prior year, although we expected this drop-off, when combined with other shortfalls it contributed to our quarterly operating loss. Registration income declined 52% from 2013 to \$1,015 for the quarter. Hopefully, we can make this up with new foals being born in the next few months and close the gap with 2013 registrations. Stallion licenses declined \$2,070 from the first quarter of 2013 to \$1,260 for

the first three months of 2014. We only licensed 2 new stallions in the quarter compared to 8 in the first quarter of 2013. Renewals were also off from 2013 with 22 renewals processed in the first 3 months of 2014 compared with 33 for the same period in 2013. Currently, we have 49 stallions that were licensed to breed in 2013 that have not been renewed in 2014, providing an additional revenue potential of \$1,470. After that we are dependent on renewal of licenses for 2015 to achieve numbers equivalent to 2013. Transfer revenue was a bright spot as revenue was up 7% over the prior year to \$6,895. Hopefully this trend will continue throughout the year. Membership revenue is down from 2013; however, the good news is that it is only down 6%. If the trend holds and with a little luck we could stop the streak of double-digit annual membership declines and put in a bottom. The next trick is to figure out how to increase our membership, but lets stop the bleeding first.

EXPENSES

As mentioned in the summary above the primary drive in the expense reductions for the first quarter of 2014 are the reductions in personnel related costs, as summarized below

	<u>Savings</u>
Payroll Wages	\$7,441
Health Insurance	\$ 415
Payroll Taxes	<u>\$ 811</u>
Total	\$8,667

Additionally, \$1,353 was saved on the facility lease from the reduced rental rate negotiated with the Landlord. DNA Blood Testing expenses declined \$1,325 during the quarter compared to the first quarter of last year; this decline is in directly related to the revenue decline reported for DNA Testing, resulting in little to no impact on earnings. Other expenses taken as a whole were basically in line with the first quarter of 2013 with no major variations.

PROGRAMS

National Show

The National Show reported a negative expense in the first quarter of \$2,000, as we discovered that the accrual of the payout for the Draft Nationals was not reversed when the payments were made. The result was a double counting of the expense in 2013. Therefore, we are expecting the National Show to return a profit for 2014 of the \$2,000. If this is achieved then the program will operate 2014 at breakeven. Basically, we should have reported better results in 2013.

Magazine

The only program with operating results for the first quarter is the magazine. Revenues for the first three months of 2014, reflecting the publication of 1 magazine were \$7,802, approximately even with 2013. However, expenses were up 32% to \$5,841. The net is an operating profit of \$1,961. Although a positive return, we need to step on the stirrup a little bit to achieve the goal of generating in excess of \$9,000 in profit from the magazine for the year. Achieving the 2014 profit goal is critical in stopping our run of operating losses and reporting a profit for the year.

Again, overall are performance is of to a good start, we are ahead of last year, but assuming we approve the proposed budget, slightly behind our plan for 2014. The windfall from the National Show helped close the gap, but we must keep our eyes forward and have a successful spring sale, tack and fun auctions. These programs are the next hurdle for the year. Additionally, we must follow-up on the stallion license renewals and keep pushing and thinking about ways to improve memberships.

The 2014 budget was motioned by Ian Wengerd, and 2nd by Melanie Cornman. Budget approved.

AMERICAN HAFLINGER REGISTRY
PROFIT AND LOSS COMPARED TO PRIOR YEAR
PERIOD ENDING MARCH 31

	2014	2013	\$ PY	% PY
Ordinary Income/Expense				
Income				
AHR Youth Income	150.00	160.00	(10.00)	-6.25%
Classification Income	-	-	-	-
D&T Assessment Income	-	-	-	-
DNA Testing Income	2,835.00	4,765.00	(1,930.00)	-40.5%
Fun Auction	-	-	-	-
Futurity Income	-	-	-	-
High Points Awards Income	660.00	400.00	260.00	65.0%
Interest Income	3.27	5.81	(2.54)	-43.72%
Lease Processing Income	-	-	-	-
Magazine/Newsletter Income	7,801.98	7,845.10	(43.12)	-0.55%
Membership Dues Income	7,120.00	7,592.50	(472.50)	-6.22%
Membership Meeting	-	-	-	-
Miscellaneous Income	205.00	43.51	161.49	371.16%
National Show Income	-	(110.00)	110.00	-
Office Processing Fee Income	75.43	186.68	(111.25)	-59.59%
Postage Prom Items	108.97	160.50	(51.53)	-32.11%
Promo Items Shirts/Calendar etc	923.25	957.18	(33.93)	-3.55%
Registrations Income	1,015.00	2,130.00	(1,115.00)	-52.35%
Sale Fall Haflinger Auction	-	15.00	(15.00)	-100.0%
Sale Spring Haflinger Auction	433.00	-	433.00	0.0%
SIP Income	80.00	40.00	40.00	100.0%
Stallion Parade	-	-	-	-
Tack Sale	-	-	-	-
Stallion License Income				
Stallion License New Income	600.00	2,400.00	(1,800.00)	-75.0%
Stallion License Renewal Income	660.00	930.00	(270.00)	-29.03%
Stallion License Income - Other	-	-	-	-
Total Stallion License Income	1,260.00	3,330.00	(2,070.00)	-62.16%
Transfers Income	6,895.00	6,435.00	460.00	7.15%
Video/DVD Income	-	2.00	(2.00)	-100.0%
Web Page Income	200.00	450.00	(250.00)	-55.56%
Total Income	29,765.90	34,408.28	(4,642.38)	-13.49%
Cost of Goods Sold				
5000 - Cost of Goods Sold	793.02	730.58	62.44	8.55%
Gross Profit	28,972.88	33,677.70	(4,704.82)	-13.97%
Expense				
Advertising	-	-	-	-
AHR Youth Expense	-	-	-	-
Bank Charges	256.64	18.06	238.58	1,321.04%
Board Expense	-	-	-	-
Breed Promotion	96.00	66.40	29.60	44.58%
Classification Expense	64.50	-	64.50	-
Computers - maintenance	999.99	999.00	0.99	0.1%
Conference Calls	224.86	113.05	111.81	98.9%
Credit Card Processing Charges	-	290.79	(290.79)	-100.0%
Contract Employee	-	-	-	-
Depreciation Expense	-	-	-	-
D&T Assessment	-	-	-	-
DNA/Blood Typing	2,025.00	3,350.00	(1,325.00)	-39.55%
Dues	300.00	500.00	(200.00)	-40.0%
Election and Voting Expense	-	-	-	-
Employee Health Insurance	3,111.96	3,526.98	(415.02)	-11.77%
Employer P/R Taxes				
FICA	831.23	1,361.28	(530.05)	-38.94%
FUTA	252.00	83.40	168.60	202.16%
Payroll Proc.Expense	255.45	80.45	175.00	217.53%
SUTA	459.00	1,088.43	(629.43)	-57.83%
Workmans Comp	89.23	84.12	5.11	6.08%
Total Employer P/R Taxes	1,886.91	2,697.68	(810.77)	-30.05%
Futurity Expense - including SIP	-	-	-	-
High Points Expense	77.05	-	77.05	0.0%
Insurance Expense	-	-	-	-
Interest Expense	-	-	-	-
Internet Expense	-	-	-	-
Magazine/Newsletter				
Mag Advertising Sales Commission	-	-	-	-
Magazine/Newsletter - Other	5,840.69	4,431.84	1,408.85	31.79%
Total Magazine/Newsletter	5,840.69	4,431.84	1,408.85	31.79%
Membership Meeting	-	-	-	-
National Show Expense	(2,000.00)	-	(2,000.00)	-
Office Expenses	474.00	346.28	127.72	36.88%
Office Supplies	143.28	473.72	(330.44)	-69.75%
Payroll Wages	10,865.82	18,307.21	(7,441.39)	-40.65%
Printing Office Forms	-	-	-	-
Sale Fall Auction	25.00	25.00	-	0.0%
Sale Spring Auction	433.00	25.00	408.00	1,632.0%
Sales Tax	-	-	-	-
Stallion Parade	-	-	-	-
Tack Sale Spring	-	-	-	-
Telephone	966.43	1,187.06	(220.63)	-18.59%
Utility Expenses	818.30	895.62	(77.32)	-8.63%
6240 - Office Equip Lease & Repair	-	-	-	-
6530 - Miscellaneous	325.20	(0.68)	325.88	47,923.53%
6610 - Postage and Delivery	1,205.49	1,170.49	35.00	2.99%
6620 - Printing and Reproduction	-	-	-	-
6640 - Professional Fees	-	-	-	-
6690 - Office Facility	2,400.00	3,753.00	(1,353.00)	-36.05%
World Haflinger Dues	-	-	-	-
Web Site	100.00	100.00	-	0.0%
Total Expense	30,640.12	42,276.50	(11,636.38)	-27.52%
Other Income/Expense				
Net Income	(1,667.24)	(8,598.80)	6,931.56	-80.61%

<p>5. Futurity – SIP</p>	<p>Robert Eicher – Chair; Members: Paul Sutton, Mahlon Miller, Doug Sutherland, Steve Webel</p> <p>The committee clarified that Futurity show entries can be accepted between August 2nd and August 31st, however, the enrollment fee will be doubled. No show entries accepted on or after September 1st of the show year.</p>
<p>6. Judges</p>	<p>Chuck Hendershot – Chair; Members: Bill Hendershot, Jacque Woodward, Lisa Schott, Bill Jameson, Karen LaBell, and Ray Miller.</p> <p>The Judges Committee is working on three things.</p> <ul style="list-style-type: none"> • Coordination with the International Federation on a judges training program for July 2014 in conjunction with the inspection at the Gold Classic. • A judges Code of Conduct – being developed in cooperation with the Inspections and Classification Committee • Recruiting new judges – following up with individuals that express interest last year.
<p>7. National Show</p>	<p>Lou Sutton – Chair; Members: Bill Jameson, Steve Verhoff, Carolyn Sutton, Rachael Cooper, and Brian Mitteer.</p> <p>Nothing to report</p>
<p>8. Nominating</p>	<p>Paul Sutton – Chair; Members: Betty Miller, Judy Winkler.</p> <p>Nothing to report</p>
<p>9. Pedigree</p>	<p>Ian Wengerd – Chair</p> <p>Members: Doug Hoskins, Theo Hug, Emily Gibson.</p> <p>Nothing new to report</p>
<p>10. Personnel/Office</p>	<p>Brian Mitteer – Chair</p> <p>Members: Board of Directors</p> <p>Passed fire safety inspection, and updated Quickbooks.</p>
<p>11. Points/Awards</p>	<p>Chelsea Nau – Chair</p> <p>Members: Brian Mitteer, Kathy O’Brien, Alicia Lucarelli.</p> <p>The points and awards committee is trying to get our Haflinger enthusiasts an incentive to enroll in the program. We were able to talk to other members from other states and they are excited to see some changes made. For the amount of AHR members we have, the program lacks membership. We need to make sure in the magazine that people are aware of this program and get excited to join.</p> <ol style="list-style-type: none"> 1. We think that members should be able to join the program at anytime during the year. Most recreational members don’t get started until the spring any ways. 2. Allow for other proof sources in the performance division. Nationally published results or printed results from the show. 3. Looking at the American Driving Society log sheet, it is very straight forward and easy to do. We should make changes to the forms. The easier they are to fill out the more participation we will get. We should be able to condense all forms to one page. 4. The Awards need to more useful and we can use items from the AHR store. We can give them a list and they can choose. The \$15 enrollment fee should cover the cost. Schneiders Saddlery is more then willing to help us with awards and donations. 5. Performance and Recreational recipients should be featured in the magazine. There should be a section just for points and awards. We could send out copies of the forms with the magazine so they can get started tracking right away. <p>We are more than happy to help Ruth make changes to the website. Please let us know the deadline for the magazine so we can get our section done. We think keeping things simple</p>

	and less time consuming will encourage participation and membership.
12. Promotions/ Advertising/Regional Support	Dave Kraus – Chair: Members: Mike Williams, Marlaina Abbott and Brian Vannarsdall. Nothing new to report.
13. Publications	Susie Haszelbart – Chair; Members Jacque Woodward, Melanie Cornman, Susan Van Horn. Articles are being collected for the next issue. Susan Van Horn will post on Facebook a request for Haflinger baby pictures & the need to submit them by May 1st. We worked on new ideas, using the AHR database to develop a historical page & contacting others to write an article.
14. Sales	Dave Wilson – Chair Members: Phil Greenisen and Andrew Yoder. 56 horses consigned to spring sale.
15. World Federation	Chuck Hendershot – Chair: Members: Jennifer Rousseau, Kim Spann, and Donald Sommer. The International Committee published a schedule of training and assessment of international judges for participation in the World Haflinger Show in 2015. The judges will attend the training and evaluation sessions in order to qualify as a judge for the World Show.
I. V. New Business	Andrew brought up the suggestion to have an AHR booth at Mt. Hope “2014 Horse Progress Days”. It was motioned by Chuck Hendershot to approve the \$300 booth space, and Ian Wengerd 2 nd . Motion passed.
	Moved by Chuck Hendershot and seconded by Andrew Yoder, and approved that the meeting be adjourned at 9:10 p.m. The next meeting date is Wednesday, May 14 th , 2014. Respectfully submitted by Susie Haszelbart, Clerk to the Board