

ASHA: Reorganizing our support for Saddlebreds

BY KAYCE BELL

A crisply attired, purposeful woman adjusted her glasses and stood quietly to her feet, her meeting notes folded in one arm and her right hand raised above her brown hair. "Mr. President, I move that we accept the recommendation of the Planning Committee and adopt the proposed reorganization plan." A chorus of voices, all seconding Joan Hamilton's motion, chimed in. Balloting, which began in a mailing sent previously to members, affirmed the course of action with the approval of 91 percent of voters.

After one of the most openly and widely debated discussions in ASHA's 115-year history, a plan to effectuate an internal corporate reorganization had passed, some 90 seconds into the new business agenda presented at the Annual Meeting. But in a new twist for an organization that has focused primarily on bloodlines, equine health issues, prize programs and horse show wins, the discussions about the plan's merits were hashed out not just in groups of members clustered at horse sales, shows, or stables. Instead, the majority of opinions were voiced in a forum that, at least for American Saddlebreds, had been used mostly for casual entertainment: *the Internet*.

Where we've been

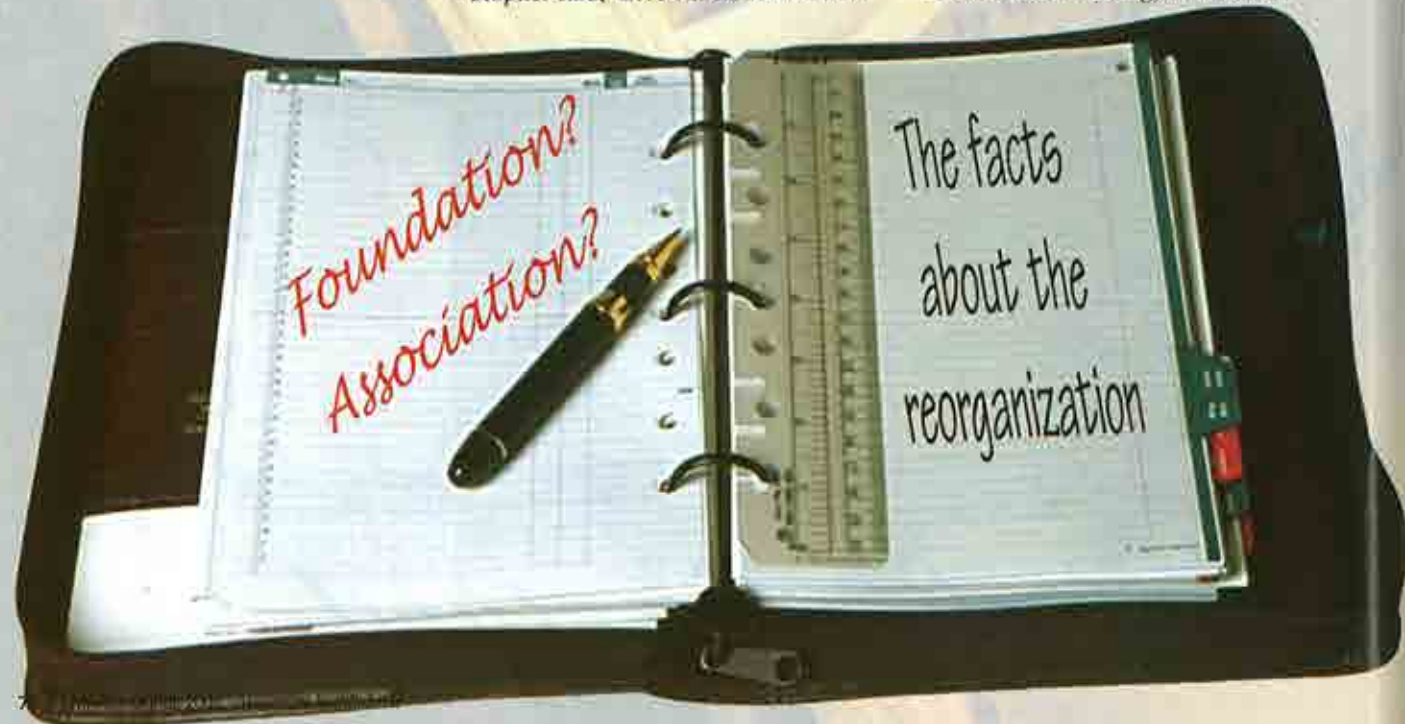
The American Saddlebred Horse Association, Inc., the modern-day corporation descended from the non-profit association organized in 1891 to manage the breed's registry, has maintained its original focus but acquired new roles over the years. Because there were no other ASHA-sister organizations at that time to house new and evolving programs, such programs and initiatives were placed as part of ASHA's charge. Discussions about creating more effective means of marketing the breed and preserving its heritage occasionally ensued, but often resulted in an admission of lack of funds, lack of research, lack of organizational structure ... and lack of opportunity to change those circumstances.

In 1990, the American Saddlebred Horse Association Foundation, Inc., a 501(c)3 organization, was established. Former ASHA President Judy Werner, of Waterloo, Illinois, recalls the scenario that led her and others to support the creation of a second entity under the ASHA umbrella: "The Foundation was organized to promote the 100th anniversary of the American Saddlebred, and the (American Saddle Horse) Museum didn't have the money to do it. So Joe Stopher said, 'Let's start a foundation.'

We held a (fund-raising) roast for Alvin Ruxer, and that's how it started."

Thus followed the operation of the two organizations charged with complementary but separate roles, separate accounting, and separate boards of directors. ASHA board members acknowledge several discussions over the years centering on why the Foundation's status couldn't be used to better advantage, but change, information, and opportunity proved elusive for this purpose, too. Both organizations continued growing, but complicating factors became balancing the proper allocations for staff resources spent on various 501(c)3 programs while permitting the necessary concentration on the ASHA's longest-held purpose: the integrity of the breed registry.

Hamilton, closely associated with the board of directors for 16 years and co-chair of the Planning Committee with Jim Ruwoldt, said she was happy about the reorganization. "The concerns of the membership about financial responsibility and integrity of the registry have always been my concerns," she said. "Restructuring will not change the fact that good board members are key. As our treasurer David Howard so clearly pointed out at the annual meeting, this restruc-



turing puts every function in its proper place so we can see what is going on.

"I want to know what's going on," she continued.

ASHA Executive Secretary Alan F. Balch, who began with the Association in April 2004, said a triggering event for him was the inspection of each invoice paid by ASHA; he wondered why the non-profit organization was paying sales taxes. The answer, he learned, was because the 501(c)5 Association was not exempt from paying those taxes, as was the ASHA Foundation, a 501(c)3. He quickly did the math, and estimated savings of \$8,000 - \$10,000 per year for the organization.

The savings promised to yield a more efficient operation, minimizing any future need to increase transactional and membership fees to members. Plus, staff and other resource allocations were more easily determined. Those opportunities alone were promising ... but as important to Balch - and the board members who voted for the change - was the chance to one day transform the organization into a promotion engine for American Saddlebreds. "We needed a structure that allows these activities to occur," Balch said. "Swapping things around, and creating the new ASHA Registry, lays the groundwork for those activities."

The new discussion: Marketing!

"Growing this breed will require changes in the ways we do many things," ASHA President Fred Sarver said. "We must educate ourselves about presenting Saddlebreds to new audiences. We must develop new roles and new markets for the American Saddlebred. And we must package ourselves to attract sponsorships from and partnerships with companies that want to tap into the coveted marketing demographic we bring to the table," he continued.

Promotion ... education ... *marketing*. In spirited discussions about the then-proposed reorganization, marketing became the often debated issue. Under the former ASHA, Inc.'s 501(c)5-compliant structure, not only did few resources exist for the types of advertising and promotion needed in today's multi-media world, but the opportunity to attract sponsors or contributions for such purposes was limited. Balch expects that to

change based on his experiences with the fund-raising and revenue needs of equine organizations such as for-profit Santa Anita Park and not-for-profit U.S. Equestrian Federation. One reason is: contributions to the new Association will now be tax-deductible.

ASHA Treasurer David Howard agrees. "Fundraisers get two questions (from potential contributors) - 'how much are you giving,' and, 'what's the tax treatment?'"

Marketing of the breed quickly became a conversation that attracted persons participating with American Saddlebred horses in a number of ways. Several Web boards buzzed with dialogue about the most effective ways to expand the base of persons who own and enjoy Saddlebred horses. The downward trend of number of foals registered was examined from various perspectives - and generally resulted in a summary along the lines of, "If people only knew more about these wonderful horses, every horse lover would want one." Chats about adding classes to show schedules, conducting market research, addressing negative image issues and spotlighting horses that excel in non-traditional roles lit up the Internet.

From choosing advertising media and tweaking our message, to creating marketing strategies and targeting corporate sponsorships, the conversations have enjoined many passionate Saddlebred enthusiasts - from California to New England, and from South Africa to Germany.

Balch said heightened awareness of the need for promotion and a good-spirited exchange of ideas can benefit our sport. "A full-blown, comprehensive marketing effort won't be immediate," he advised, "but I look forward to the day when it's done and it's done well."

With the reorganization underway, it's the next step that Balch and many others are impatient to see occur. At ASHA's recent annual meeting of its members, he pointed out that an important component of a successful membership organization is input from members.

For that, he need look no further than his Web browser. **as**

Detailed information about ASHA's reorganization is posted at www.saddlebred.com. Click on the 'ASHA Governance' link.

Timeline of Internal Reorganization

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| July 12, 2004 | The idea of converting the American Saddlebred Horse Association, Inc. into a public charity is briefly discussed at a board meeting, and referred to the planning committee for detailed evaluation. |
| October 16, 2004 | The Planning Committee's recommendation of an internal reorganization is discussed at a board meeting. The board votes unanimously to have another meeting in November or December to discuss the reorganization in detail along with a timetable. |
| December 1, 2004 | The board votes unanimously to have the necessary final documents for the reorganization prepared so they can be considered by the board. |
| December 9, 2004 | The December 1 meeting continues via a teleconference. The board discusses and makes changes to the newly proposed bylaws. Directors vote, with two dissenting, to approve the resolution prepared by the ASHA and ASHA Foundation Boards. The board also votes to have further independent or "outside" opinions prepared to analyze the proposal. |
| January 14, 2005 | Proxy materials are sent to members to vote on the reorganization. |
| February 3, 2005 | Members receive a proxy reminder as well as additional information on the reorganization, including a question and answer sheet. All proxy information, latest news and additional questions are available online. |
| February 10, 2005 | ASHA announces favorable independent opinions by Michael Mountjoy of Mountjoy and Bressler in Louisville and James B. Martin, Jr., of Ogden, Newell and Welch in Louisville. |
| February 18, 2005 | ASHA hosts a forum at its annual convention entitled "Understanding the Proposed Corporate Reorganization." Members are able to ask questions and discuss the reorganization with leadership. |
| February 19, 2005 | Ninety-one percent of the voting members pass the internal reorganization. |
| April 1, 2005 | The American Saddlebred Horse Association, Inc. becomes a public charity organized under Section 501 (c) 3 of the Internal Revenue Code. The American Saddlebred Registry, organized under Section 501 (c) 5 of the Code, handles registry matters include transfers. |

Updated definitions for your Saddlebred dictionary

American Saddlebred Registry, Inc.: Before the reorganization, ASHA housed the breed registry; operated prize programs such as Grand National, ASHA Sweepstakes, and futurities; and provided support for youth club and state Charter Club activities. Its stated purpose was to operate a registry for the American Saddlebred horse, which will provide for the betterment of the conditions of those engaged in Saddlebred horse activities, the improvement of the grade of the Saddlebred horse, and the development of a higher degree of efficiency in the Saddlebred horse industry. Operations were guided by a 18-member volunteer board of directors and a full-time paid executive secretary. ASHA staff conducted ASHA Foundation activities by allocating expenses to the ASHA Foundation's books. After the reorganization is complete, ASHA, Inc. (now to be referred to as the 'Registry' and retaining its 501(c)5 status) will operate the breed registry and prize programs – two functions for which staff allocations are clearer. A 9-member board of directors – individuals who have particular expertise in breeding and safeguarding the integrity of the breed, but who do not necessarily have expertise or interest in the broader issues of education, promotion of exempt purposes, fund-raising, and outreach – will serve much like an expanded Registry Committee, the entity that supervised most Registry issues prior to the reorganization. The new Association's employees will staff the Registry, but costs for their Registry activities will be allocated according to a negotiated management contract with the Association. This organization will have no members, but membership in the ASHA Foundation, Inc. ("the Association") would be required to use most Registry functions, as it is now.

American Saddlebred Horse Association, Inc.: Before the reorganization, our public charity, the ASHA Foundation, Inc., supported the funds and endowments for general and specific causes, including The ^{OT}Belle Elegant Endowment, Genetic Research Endowment, Technology Mission, Animal Welfare Fund, ASHAF Driving Challenge and the Lordosis Fund – all consistent with the Foundation's stated mission to provide charity, to educate and to prevent cruelty to animals. After the reorganization, the Foundation will become known as the Association. Its purpose will be to safeguard the integrity and expand the knowledge of the American Saddlebred; educate the general public in the exhibiting, use and history of American Saddlebred horses and the improvement of the breed; promote the humane treatment of American Saddlebred horses; stimulate and promote

interest in all matters pertaining to the history, breeding, exhibiting, and improvement of the breed; encourage safe equestrian activities; educate youth with respect to safe and proper horsemanship and the showing of horses by promoting the formation of youth associations and the dissemination of educational materials; and award scholarships to participants in youth horse programs. The 18-member board of directors of the former ASHA, Inc., will remain the same. Bylaws will be similar to those in place for the former ASHA, Inc., respecting the characteristics of a tax-exempt public charity. The new Association is a tax-exempt 501(c)3 charitable organization, able to offer tax deductions to its members for their contributions, and will be exempt from sales tax on most purchases.

Registry, a 501(c)5: A section of IRS code creating separate tax treatment of labor, agricultural, and horticultural organizations. Agricultural organizations may be quasi-public in character and are often designed to encourage the development of better agricultural and horticultural products. The primary purpose of exempt agricultural and horticultural organizations must be to better the conditions of those engaged in agriculture or horticulture, develop more efficiency in agriculture or horticulture, or improve the products. The IRS cites "guarding the purity of a specific breed of livestock" as an example of a 501(c)5 organization.

ASHA, a 501(c)3: To be tax-exempt as an organization described in IRS Code section 501(c)(3), an organization must be organized and operated exclusively for one or more of the purposes set forth therein ... and none of the earnings of the organization may inure to any private shareholder or individual. In addition, it may not attempt to influence legislation as a substantial part of its activities and it may not participate at all in campaign activity for or against political candidates. To be organized exclusively for a charitable purpose, the organization must be a corporation, community chest, fund, or foundation. A charitable trust is a fund or foundation and will qualify. The articles of organization must limit the organization's purposes to one or more of the exempt purposes set forth in IRC Section 501(c)(3) and must not expressly empower it to engage, other than as an insubstantial part of its activities, in activities that are not in furtherance of one or more of those purposes. For detail about permissible activities of a 501(c)3, visit <http://www.irs.gov>.