American Brahman Breeders Association

Finance Committee Meeting Agenda
May 15, 2025, 3:00 PM CST
L'Auberge Casino Resort – Ballroom D
Lake Charles, LA

Present
Carolyn Falgout
David Domsch
Kelvin Moreno
Hatch Smith

Staff
Paul Maulsby
Iridiana Ibarra
Kylie Koster

Guests

David Miller	Clint Galiano
Catherine Neumayr	Luke Neumayr
Val Walters	Rodney Finch

Carolyn Falgout called the meeting to order at 3:00 PM.

David Domsch moved to approve the minutes from the Finance Committee meeting held on February 18, 2025. The motion was seconded by Kelvin Moreno. Motion carried. The minutes were approved as presented.

Carolyn Falgout shared that she had originally planned to travel to the office to review the financial records in person and had purchased plane tickets for April 9, 2025, but had to cancel her trip due to the pending lawsuit.

She then directed the committee's attention to page 26 of the financials, specifically the Statement of Income and Expense. Mrs. Falgout pointed out that registrations are down by 3.11%, transfers are also down, but DNA revenue is up, which helps to offset the declines and results in a relatively balanced position for this time of year.

Paul Maulsby addressed the committee and referred to the graphs and summary included in the financial report, directing attention to the breakdown provided at the end of the document for additional clarification. He echoed Mrs. Carolyn Falgout's earlier comments, noting that while registration numbers have declined, this is largely due to the implementation of DNA requirements, which now delay the registration process. Historically, calves could be registered immediately, but with the current DNA protocols in place, animals are now waiting on DNA results—often causing a delay of 4 to 6 weeks.

He also highlighted that DNA revenue, as shown in the provided graph, likely offsets the decrease in registrations and transfers.

DRAFT

Paul Maulsby cautioned against overreacting to the drop in numbers, adding that broader trends—such as fewer people participating in the cattle industry and economic pressures—are also contributing factors. He noted that some producers are opting to forego registrations entirely and are instead selling calves directly through sale barns due to current market conditions.

Carolyn Falgout commented on the current financial position, noting that the association's assets totaling $2.92 million. However, she reminded the committee that there are upcoming expenses to consider, including potential legal fees related to the recent filed lawsuit, with estimated costs ranging from $40,000 to $50,000.

She reflected on her financial goals upon assuming office, stating that her primary objective was to leave ABBA with more money in the bank than when she began her term. With the current report showing $2.92 million in assets, she expressed her hope to exceed $3 million before her departure.

Paul Maulsby addressed the committee and referenced the current $84,000 budgeted deficit, echoing Carolyn Falgout's earlier points. He shared that he had consulted with former ABBA Executive Vice Presidents, including Chris Shivers, who confirmed that approving a deficit budget has been a common historical practice. In most years, the association has ultimately balanced the budget by year-end.

Mr. Maulsby noted that the previous year included a $50,000 deficit, which ABBA managed successfully. He explained that the current deficit includes salary allocations for a full staff, with only one position remaining unfilled. Initially, the budget allocated $65,000 for this role, modeled after a former commercial development/genomics position. However, with the hiring of Allison Hajny as DNA Coordinator, who brings a high level of expertise and leadership in genomics, the scope of the position has shifted.

He proposed that instead of replicating that same role, the association consider hiring a field representative at $50,000, someone who could support Allison Hajny in her work and help communicate ABBA's genomic initiatives to the public. This would reduce the salary cost by $15,000.

Additionally, the delay in hiring this position (originally budgeted to start on January 1) has resulted in further savings. According to figures pulled by Iridiana Ibarra, the delayed start has saved approximately $29,000 for Quarter 1. Further savings came from Chloe Grimm's part-time status, as she finished her college degree. Initially hired as a part-time hourly employee until May, this arrangement resulted in a $7,900 savings. In total, these adjustments have recaptured approximately $30,000, reducing the net deficit. However, the remaining $50,000 deficit is now primarily driven by unbudgeted legal costs.

Paul Maulsby stressed that he does not foresee any additional unbudgeted expenses and is committed to maintaining budget discipline. One remaining unbudgeted item is the financial audit, which was voted on and approved. Quotes were obtained, and a firm has been selected to conduct the audit, with an estimated cost of $17,000–$20,000. Mr. Maulsby requested further

DRAFT

guidance from the committee on how to move forward with funding this item. While he supports the audit for transparency and best practices, he acknowledged the need to address its financial impact given the current environment.

Hatch Smith moved to approve the Balance Sheet and Profit & Loss Statement as presented. The motion was seconded by Kelvin Moreno and carried unanimously.

A guest present asked whether the committee could make a recommendation for a motion to freeze the accounts of the individuals involved in the recent lawsuit and hold them financially liable for court costs. He acknowledged that while this may be difficult to implement, it is worth exploring.

The committee agreed that these questions warrant further legal review and requested that the Committee Chair work with Paul Maulsby to consult legal counsel for guidance on the matter. David Domsch added that it feels as though a small group of individuals has effectively altered the association's budget single-handedly, emphasizing the financial impact of the lawsuit.

Hatch Smith inquired about the last time a formal audit was conducted. Kelvin Moreno responded that an audit was performed in 2023, when ABBA transitioned to a new CPA firm. He explained that the financial records handled by the previous CPA in the Houston office were in disarray and required a comprehensive audit by the new firm based in Florida before they could officially take over.

Mr. Moreno emphasized that the transition was essentially a full financial overhaul. He instructed the new CPA not to import any data from the previous firm but to rebuild the financials solely using original bank statements. The former CPA had been manually calculating interest and estimating earnings without actual access to several bank accounts. In fact, there were CDs recorded in the books that no longer existed, having been sold or renamed by the banks without the association's knowledge. The new firm had to track down lost funds and reconcile multiple discrepancies, some dating back to prior executive vice presidents.

He noted that the process revealed significant issues, including $65,000 in outstanding invoices—some dating back to 2017—and multiple unknown or inaccessible accounts.
Mr. Moreno added that Mark Forgason was president at the time and can attest to the difficulty of the cleanup. However, he expressed confidence in the progress made, stating, at least today, we know exactly where the money is. He reaffirmed his support for conducting regular audits and emphasized that, in his view, an audit is an investment.

David Domsch expressed support for the point made earlier by Hatch Smith, agreeing that the role of the committee is to establish sound policy and provide Paul Maulsby with the tools necessary to operate effectively—without placing the association at financial risk or requiring withdrawals from investment accounts to cover operational expenses.
He stated that he is in favor of holding off on approving any additional non-budgeted events for the remainder of the year until the new CPA and firm are fully in place. He recommended that the committee review second-quarter financials first to evaluate ABBA's current income and expense position before making further commitments.

DRAFT

Kelvin Moreno moved to place a freeze on all non-budgeted expenditures until the Finance Committee has the opportunity to review second-quarter income and expenses and reevaluate the financial position at that time. The motion was seconded by Hatch Smith and carried unanimously.

Paul Maulsby reminded the committee of the ongoing communication with the newly selected CPA firm and clarified a concern raised by a member via email. He explained that from the beginning, there has been clear communication with the new firm and CPA. After discussions with the CPA and in consultation with Office Manager, Iridiana Ibarra, it was mutually agreed that the priority would be to complete the first quarter and file all necessary taxes before fully transitioning.

He confirmed that taxes have now been successfully filed for ABBA, and that all records are now current and in good order. He noted that initial conversations with the new CPA, Stacy, have been very positive, and a meeting is scheduled for Friday to move forward. He emphasized that the team had intentionally waited until after the board meeting to formally proceed with the next steps in the transition.

David Domsch made a motion to amend the current budget by increasing the legal fees line item to $70,000, divided into two segments: $50,000 and $20,000. The motion was seconded by Hatch Smith.

Carolyn Falgout addressed the committee regarding the Merrill Lynch money market account, expressing concern over the current balance. She noted that the account holds nearly half a million dollars, which she believes is too large a sum to be left in a low-yield money market when higher returns are available elsewhere.

While she acknowledged the value of maintaining a portion as a flexible reserve or "slush fund," she recommended that only $100,000 remain in the money market account for liquidity purposes, and that the remaining balance be reinvested in an account offering a higher interest rate to maximize returns.

Kelvin Moreno responded by explaining that when the accounts were originally set up a few years ago, he intentionally left the money market account unlocked as a contingency—essentially a rainy day fund in the event that revenue streams were significantly disrupted. He noted that, over time, contingency funds have been gradually added to this account, which is why the current balance has grown. In response to Carolyn's suggestion, Kelvin agreed that retaining $100,000 in the account for liquidity is reasonable and appropriate.

Carolyn Falgout added that last year, when Mr. Novak was treasurer he should have transferred approximately $46,000, but the transfer was not made. As a result, there is excess cash sitting in the checking account, which is unnecessary. She noted that the current balance is around $90,000, and emphasized that this amount is more than what is typically needed for routine operations. Kelvin Moreno noted that this may simply be a housekeeping matter, but suggested that when the transfer is made, the funds can be strategically allocated within the account. He recommended dividing the amount into "buckets"—with portions placed into 12-month or 6-

DRAFT

month investment terms, depending on which options offer the most favorable interest rates at the time.

Paul Maulsby added that he would follow up with Mrs. Falgout regarding the proposed account adjustments.

He also addressed the committee and audience to provide additional context on ABBA's investment oversight. He explained that he and staff have met with representatives from both Merrill Lynch and Chilton at the office to review current accounts. While market fluctuations have been noted, Mr. Maulsby emphasized that ABBA's investments remain conservative and are being effectively managed by both firms.

To support transparency and understanding, a summary sheet was prepared at the committee's request to provide a clearer overview of account performance. He noted that quarterly meetings are now scheduled with both investment firms to ensure ongoing oversight. Although a recent meeting was scheduled for Carolyn Falgout, she was unable to attend but will be included in future discussions.

He assured the committee that ABBA remains in continuous communication with both financial institutions and is actively monitoring the security and performance of its investments. He encouraged anyone with questions to reach out directly.

Kelvin Moreno made a motion to transfer the 2024 contingency fund of $46,792 into the money market account ending in 384, bringing that account to a balance of $100,000. The remaining balance in account 384 is to be transferred to the investment account ending in 385. The motion was seconded by Hatch Smith and carried unanimously.

Paul Maulsby addressed the committee and audience, referencing the financial summary packet, which includes graphs and breakdowns designed to provide greater clarity on ABBA's financials. He acknowledged that while the full financial reports are valuable, they can be overwhelming at first glance, and one of the immediate questions people often ask is about the size of the accounts receivable, which may appear unusually large.

To help explain this, he pointed out that the team created a pie chart breaking down the components of accounts receivable into two segments: DigitalBeef-related balances and general receivables. This visual breakdown offers a clearer picture of where outstanding amounts are coming from.

He also noted that some of the higher figures, particularly in March and April, were temporarily inflated due to pending payments from the international sale. He confirmed that a significant portion of that balance—around $97,000—has since been received, helping to reduce the overall accounts receivable figure.

Paul Maulsby further explained that one of the recent improvements made to the association's financial processes involved implementing monthly invoicing through DigitalBeef, something that had not been done historically due to system limitations.

DRAFT

Under the new system, members with outstanding balances will now receive monthly digital invoices. Additionally, any accounts past due beyond a certain threshold will be automatically frozen. Mr. Maulsby reassured the committee and audience that if a member's account is frozen, it's not cause for alarm. Often, issues arise from expired credit cards or outdated payment information. He encouraged members to simply call the office to resolve the matter.

To ensure all members are reached, a backup system is also in place: if an email bounces back or if a member doesn't have an email on file, the system generates a PDF list each month of those members, allowing the office to send paper invoices by mail. This dual approach is intended to improve collections and keep member accounts current.

Paul Maulsby also raised a broader question for committee consideration regarding aged receivables. Some of the outstanding balances are several years old, often tied to former members who are no longer active in the business. He explained that, in some cases, ABBA facilitated services or transactions for members as far back as five years ago, and the invoices were never paid. Despite being inactive, these balances continue to be carried on the books, raising the question of how long such debt should be maintained in the records.

David Domsch stated that, to his understanding, the $7,000 owed from 2023 was supposed to have been removed from the books, based on the committee's decision at the last meeting.

The committee asked Paul Maulsby and Iridiana Ibarra to reach out to DigitalBeef to explore the possibility of implementing late fees on accounts that remain unpaid beyond a certain timeframe. They were also asked to research how other associations handle overdue accounts and report back with potential options or best practices.

Kelvin Moreno made a motion to include the Financial Summary Report in the official meeting minutes, in the interest of transparency and to make the information available to the membership. The motion was seconded by Hatch Smith and carried unanimously.

There was committee discussion regarding the possibility of implementing a credit card processing fee due to the significant costs incurred in 2024. One suggestion was to consider adding a 1.5% fee on any credit card transactions exceeding approximately $11,000. Kelvin Moreno shared that he had spoken with Chris Shivers about this topic in relation to the International Sale. In that case, the commission fee was increased from 10% to 12% for international members who opted to pay with a credit card.

The conversation also expanded beyond the International Sale, noting that a large portion of credit card fees in 2024 stemmed from merchandise sales, particularly during the 100-Year Anniversary and World Brahman Congress. At that time, the association was being charged around 3.5% in processing fees. These fees were associated with platforms such as Shopify, Clover (which is no longer in use), and Square. While 2024 was an unusual year due to the number of events, the committee acknowledged the importance of exploring ways to manage credit card processing costs more effectively moving forward.

There was additional discussion regarding outstanding accounts receivable, with some balances dating back to the World Brahman Congress and the 100-Year Anniversary. It was suggested

DRAFT

that Carolyn Falgout, in her new role, should issue a professional letter to each individual with an outstanding balance, giving them 30 days to clear their account. The letter should also state that further action will be taken if the balance is not resolved within the specified timeframe.

Kelvin Moreno made a motion to draft a letter on behalf of the Treasurer to be sent to all individuals with outstanding accounts receivable. The motion was seconded by Hatch Smith and carried unanimously.

Iridiana Ibarra provided an overview of the Aged Cow Moratorium to the committee. She explained that it offers members a six-month window during which they can register older animals at a discounted rate. Specifically, cattle over two years old, which typically cost $100 to register, can be registered for $50. Yearlings, normally $52 to register, are offered at a reduced rate of $25 during this moratorium period.

Hatch Smith made a motion to open the Aged Cow Moratorium from June 1 through December 31, 2025. The motion was seconded by David Domsch and carried unanimously.

Paul Maulsby addressed the committee, noting that while the topic wasn't strictly financial, it was still relevant given the discussion on merchandise revenue. He explained that merchandise sales had been particularly strong during the 100-Year Anniversary and the World Brahman Congress—events that will not be replicated in the near future.

Mr. Maulsby mentioned that he had discussed the matter with Catherine Neumayr from a communications standpoint and emphasized the need to refresh the current merchandise inventory. While a full budget for merchandise has been allocated, only a portion is being used to roll out new items targeted toward the All American. These new items are designed to appeal to both general members and senior board members.

He noted that once the updated merchandise is launched, which will be highlighted during his Executive Vice President report, he anticipates a spike in sales. He also hinted at additional revenue-generating ideas he is developing but is not ready to share just yet, emphasizing his ongoing effort to think creatively and diversify income streams.

Paul Maulsby added that he believed the idea had strong potential and mentioned that he had recently discussed it with some of the committee members, as it was already on his radar. He shared that he is considering selling advertising or sponsorship spots in ABBA newsletters, as well as offering paid e-blasts as a service to members promoting upcoming sales. While he acknowledged it may not be a major revenue stream, he noted that even generating $5,000 would be worthwhile, and that is his current goal.

Kelvin Moreno provided an update regarding the National Show. He explained that, the ABBA will not directly host the event. Instead, the 2025 National Show will be independently organized and managed by the Heart of Texas Brahman Association. As a result, there is no line item allocated for the National Show in the current ABBA budget.

Mr. Moreno emphasized that the goal is for the event to be entirely self-funded, with no financial liability or expense incurred by ABBA. He also requested that it be reflected in the minutes that

the intention is to maintain the same structure and format as last year's show. Val Walters has already proposed a schedule, which includes committee meetings and ABBA events.

Under the current plan, ABBA will cover the cost of meeting rooms through its existing budget for meetings, while the Heart of Texas Brahman Association will assume responsibility for all other expenses associated with the event.

Val Walters, Show Committee Chairman provided an update on this year's schedule, noting that while the overall week for the National Show is set, the exact start and end days remain flexible. He reminded the committee that no meetings were held during the show week last year due to the overlap with the World Brahman Congress and the National Show, which already included a full schedule of events.

Mr. Walters emphasized that his primary request from the Show Committee is to schedule any ABBA meetings in a way that avoids conflicting with show-related activities, especially for members actively participating in the event. Ideally, he would prefer for board and committee meetings to be held at a completely separate time, outside of the show week, to avoid overwhelming both participants and staff.

From a logistical standpoint, he noted that expecting staff to manage a full board meeting and then immediately transition into running a national show creates an intense and demanding workload.

Kelvin Moreno clarified that, as a Finance Committee, it's important to recognize that no funds were budgeted for the National Show, and therefore ABBA will not be financially responsible for any associated expenses. The intention is for the Heart of Texas Brahman Association to manage the event independently.

He further explained that if the event generates a profit, the Heart of Texas Brahman Association will remit a $5,000 payment to ABBA—an amount already projected as income in the current budget. This arrangement is designed to ensure that ABBA remains financially separate from the event while still benefiting from potential revenue.

Val Walters added that, based on his conversation with Kelvin earlier that morning, his understanding is that the Heart of Texas Brahman Association will be responsible for managing the show entries, including collecting entry fees and purchasing awards. Therefore, if there is any financial shortfall, it will be the responsibility of the Heart of Texas Brahman Association—not ABBA.

After no new business, Hatch Smith moves to adjourn seconded Kelvin Moreno, motion carried.

DRAFT