

REPORT TO ASHA BOARD

By: Carl Holden

JUNE 30, 2011

SUBJECT: AUDIT OF REDWING FARM ADVERTISING CONTRACTS 2003-2010

There have been recent comments by some ASHA members suggesting that Redwing Farm has in the past received free or discounted advertising in the ASHA Saddlebred magazine and Reference Directory. Additionally, there have been comments that some ASHA Board members use their positions as board members to their personal benefit. In response to these unfounded comments, Judy and Jim Ruwoldt requested that I audit the advertising by Redwing Farm as a member of the Finance Committee.

I agreed to perform the audit and requested the following items be pulled by the ASHA staff for my review:

Saddlebred Magazine issues as follows:

- 2003 Issues 1 & 5
- 2004 Issues 1 & 3
- 2005 Issues 2 & 4
- 2006 Issues 3, 4 & 5
- 2007 Issues 1 & 3
- 2008 Issues 2 & 4
- 2009 issues 3 & 5
- 2010 Issues 1 & 4

Reference Directory for 2003-2010

Advertising Rate Schedules

ASHA Invoices to Redwing Farm and proof of payment for the period 2003-2010

Youth Auction results for the period 2003-2010

I visited the ASHA offices on 6/28/11 and with the above indicated materials and assistance from the ASHA staff I reviewed each Redwing Farm advertising included in the above indicated 17 Saddlebred Magazines and 8 Reference Directories from 2003-2010. I compared the indicated advertising against the established advertising rate schedules or "special promotions" schedules. I then traced each advertising to an ASHA invoice or Youth Auction sheet. I also traced each advertising to a credit card receipt or cash posting. I also compared the Redwing Farm advertising items to the advertising costs of other farms.

My audit showed that Redwing Farm was the successful bidder in 6 of the 8 years for the "deluxe advertising package" included in the Youth Auction. This package included a full page color ad in the Directory, black and white "pedigree" page and a full color page in the March-April Saddlebred Magazine. The auction bid by Redwing Farm for most years was fairly close to the normal advertising rate for the "deluxe package.

My audit showed advertising cost by Redwing Farm in the Saddlebred Magazine of \$29,512 for the period 2003-2010 and "Youth Auction bid" costs for advertising in the amount of \$8,225 for the same 8 year period. The total Redwing Farm advertising for this period of 2003-2010 was \$37,737. My audit test items of the advertising in both the magazine and Reference Directory came to a total of \$25,118 for a 65.5% test of the total advertising by Redwing Farm.

My audit showed NO instances where Redwing Farm received "free advertising" or was given preferential treatment from a "rate structure" standpoint.