



**WORLD FLOOR COVERING
ASSOCIATION**

EXECUTIVE/FINANCE COMMITTEE MEETING MINUTES

May 17, 2018

Rosen Shingle Creek, Orlando FL

Attending: Maryanne Adams, Chairman
Nick Freadreacea, Immediate Past Chair
Jason Fromm, Chair-Elect
Deb Degraaf, CFO/Treasurer
Dean Howell, Secretary
Sam O’Krent, Vice-Chair
Jim Walters, Vice-Chair
Donny Phillips, Finance Committee
Harold Chapman, Finance Committee
Wendell Prescott, Finance Committee
Mitchell Brown, Finance Committee

Legal Counsel: Jeff King

Staff: Steve Abernathy
Scott Humphrey
Tom Jennings
Freida Staten
Robert Varden
Kaye Whitener
Kay Wiley
Phil Zolan

Guests: Meredith Etherington, Litman Gregory
Craig Keller, Litman Gregory

CALL TO ORDER

Adams called the meeting to order at 10:32 a.m. eastern

ANTITRUST AND FIDUCIARY RESPONSIBILITIES

Legal Counsel, Jeff King, discussed the fiduciary responsibilities of the executive/finance committee members.

APPROVAL OF WFCA EXECUTIVE COMMITTEE MEETING MINUTES FROM OCTOBER 26, 2017– (Becomes a permanent part of the minutes)

M/S/C Brown/Howell to approve the executive committee meeting minutes from October 26, 2017.

ACCEPTANCE OF FINANCIAL STATEMENTS – Ended DECEMBER 31, 2017

M/S/C Brown/O’Krent to accept the preliminary financials and financial statements for the year ended December 31, 2017 (pre audit) as presented.

FINANCIAL REPORT

Abernathy presented the 2017 year- end financial statements and the first quarter 2018 statements. He stated that 2017 was a phenomenal year for WFCAs finances. WFCAs total assets increased by 6% in 2017. The association ended 2017 with a total asset value of \$41,727,238 versus the prior year asset value of \$39,194,598. The 6% equates to a net gain of \$2,532,640. Abernathy expanded on a line item titled "Deferred Revenue" noting the \$506,354 is for dues that were collected in the latter part of 2017 that are for 2018. Under statement of accounts the operating revenue includes all monies except the investment portfolio. The total operating revenue at year end was \$1,385,102 compared to the budgeted amount of \$1,834,961. The difference is because of the deferred revenue from dues. The year- end total operating expenses were \$4,757,663 which was significantly under the budgeted projection amount \$5,183,447. The portfolio performance is the net of three factors. The three factors are: Dividends, Unrealized Gains (Losses) and Realized Gains (Losses). After combining the three factors this resulted in the portfolio contributing \$5,116,054 to WFCAs for the year 2017 which led to \$2,007,554 in net profit. Abernathy developed a Statement of Activities Detail report for the executive/finance committee only. This report breaks down all aspects of the revenue and expenses and indicates the business entity that coordinates with dollars.

WFCAs awarded 278 trade scholarship awards in 2017. That is a decrease of 299 awards at year- end 2016. Even though the number of awards dropped the average amount of each award increased by \$75. The reduction in trade scholarship awards was driven primarily by the WFCAs change in membership structure that was implemented recently. The total disbursement amount of trade scholarship awards was \$69,448 for 2017 versus \$83,107 in 2016. CCA Global remains the top user of the WFCAs trade scholarship awards program.

Abernathy gave a quick snapshot of 2018 first quarter financials stating there was a 2% net loss in the total assets on 3/31/2018. The portfolio performance impacted the net asset change. The total operating revenue at the end of first quarter was \$992,113. The operating expenses through the same time were \$1,421,127. The first quarter expenses are usually larger due to the TISE Event in Las Vegas, NV. The investment portfolio performance through March 31, 2018 reported a \$25,315 loss. Abernathy reminded the committee members that WFCAs projects a 7% total annual return on the portfolio.

INVESTMENT PORTFOLIO UPDATE

Meredith Etherington of Litman Gregory began her presentation by giving a review of the markets. She concurred that 2017 was a milestone year for the markets. All global markets experienced growth. The U.S. markets were up 22%, the European markets up 26% and Emerging markets up 32%. The markets were driven by technology stocks. There were 400 days in a row where the market did not decline more than 3%. Every month in 2017 was a positive month. The US stocks began 2018 on a high note then fell 10% in early February as investors reacted to an unexpected jump in wage inflation. Etherington said volatility should be expected and gave statistics back to 1950 of the volatility pattern. WFCAs is a balanced portfolio with good risk measures within the portfolio to help withstand a Bear market. At the end of 2017 the WFCAs portfolio was up 15.32% which is impressive for a balanced portfolio. The underweight to core investment-grade bonds, underweight to US equities and overweight to emerging-market stocks helped the portfolio stay ahead of the blended benchmark for the first quarter of 2018. Managed Futures and Alternative Strategie funds were added to the WFCAs portfolio.

Craig Keller of Litman Gregory gave a forecast on what to expect for the next five years. The equity asset classes are estimated to have growth returns over the next five years. US Larger Cap has an expected base case of 1.2%, the Developed International-Europe expected base case is 11.6% and the Emerging Markets is expected to be up 5.9%. The fixed income assets outlook is not very attractive over the next five years. Phillips asked if WFCAs should be a little more conservative with their 7% return expectation. Keller responded that 7% is a high end amount for associations such as WFCAs. The normal is 4-5% for non- profits with a spending policy attached to it. Keller stated that interest rates are expected to continue to rise.

fcB2B UPDATE

Zolan reported the fcB2B currently has 68 members. He added that number is up from 59 this time last year. The newest members recently added were Vogueboard (Software), Longust Distributing (Dist), Phenix Flooring (Mfg) and Ceramic Tile works (Dist). Zolan created a target list of companies he would like to see utilizing fcB2B. He asked the board members to contact anyone they know at the companies on the list and encourage them to join fcB2B. The companies are: Milliken, Godfrey Hurst, Florida Tile, Porcelanosa, Leggett & Platt, Johnson Hardwood, Forbo, Stanton, Prestige, Eleganza, Intl Wholesale Tile, Carpenter, Gallaher and Radio. The fcB2B EDI standards were updated and re-written in January 2018. Coding is currently underway across the industry to get the necessary program changes made to allow everyone to be able to function properly under the new standards. A new web service was just completed in April 2018. The new service is order status. Now with the push of a button a manufacture can access a customer's order status immediately. Product reservation is another web service that is expected to be activated soon. The fcB2B annual meeting will be held October 16-18, 2018 at the Embassy Suites Atlanta Airport. The Market Trends survey has recently been published. There was an open ended question on the survey that asked, "What is the biggest problem you face as a retailer?" Seventy five percent of the responses were regarding installation. Data gathering is underway for the Financial Benchmarking report. QFloors has added a function to their program that allows retailers to opt in to share their data anonymously. The reporting is expected to be complete the end of June. The Floor Covering Leadership Council partnered with the Blackstone Group out of Chicago to research and identify the installation barriers and solutions. This research would also quantify the financial consequences to the flooring industry.

CFI UPDATE

Varden began by stating CFI didn't have a good experience at TISE in 2018. The CFI booth space has been reduced for multiple years and was completely taken away in 2018. Varden has meetings with Informa to discuss future plans for the CFI booth at the show. CFI recently partnered with FUSE Alliance and put a five week program in place for commercial product training. A CFI school was opened in China March 2018. There is also a CFI school opened in Toronto, Canada. CFI recently became involved in a program called "Build My Future". This group works with local high school students and they host an event in a warehouse with multiple trades where students can get hands on experience with roofing, concrete finishing, etc. Varden would love to have the same type event with flooring installation training. The annual CFI convention will be held in Orlando, August 15-18, 2018.

MEMBERSHIP REPORT

Whitener gave a brief overview of the WFCA membership. She stated that WFCA has 89 more members compared to same time last year. The associate membership category is still lacking the desired number of members. Whitener also provided a buying group report that indicates what percentage of the WFCA membership is involved with various buying groups. Humphrey added he has been in discussions with CCA stressing that WFCA is not trying to replace the benefits already offered by the groups, but simply enhancing and adding to the existing offerings.

MARKETING/COMMUNICATIONS UPDATE

Staten provided the group with a handout detailing the marketing strategy and brand communication awareness initiatives. WFCA markets and communicates in many different ways such as, advertising, personal selling, public relations, events, and direct & indirect marketing. WFCA has increased communications via blogs, emails, events, PFR Magazine, public relations, social media, trade media advertising, video and website.

A focused effort has been placed on CFI recently to refresh the brand and will be showcased at the upcoming 25th anniversary celebration during their convention. There is a brand refresh workshop being conducted with internal key members of CFI. The goal of the workshop is to be able to give the industry a meaningful understanding of who CFI is, what they stand for and solid positioning that reflects their vision, values, purpose and culture.

The first WFCA Educational/Network Event has been scheduled for September 20-21, 2018 in San Antonio, Texas. The event is named, "Empower2018" and will consist of keynote speakers, multiple education sessions and roundtable discussions.

Through research of wfca.org we were able to define the top areas visited within the website. The top five landing pages were Home Page, Tiered Membership, Why Shop a WFCA Member Store, Vinyl (consumer side of site) and Education. These findings are encouraging because it proves to Staten that visitors are interested in learning more about WFCA and the importance of education.

TRAINING UPDATE

Jennings made the attendees aware that Tim Jacobi is the chairman of the WFCA Education Committee and they would be meeting during the spring board meeting. There are new modules being added to the online university soon. Jennings spoke briefly on the topics being offered by keynote speakers via round table discussions during the upcoming regional event. The topics are Empowerment - Empowering Your Team, Succession Planning, Communications (focused on online reviews), The Way to Wealth and more.

LEGISLATIVE/REGULATORY REPORT

King gave highlights of the legislative happenings. He said the Internet Sales Tax is still a hot issue. Sales tax varies not only by state but also on different products. Tax reform is being highly advocated at the moment. A determination has been made regarding Independent Contractors being misclassified. If an independent contractor is misclassified it is an automatic labor violation and could result in fines. An amicus brief has been submitted opposing that ruling.

OLD BUSINESS

NEW BUSINESS

With no further business to discuss the executive committee entered into Executive Session at 2:50 pm. The meeting concluded at 4:20 pm eastern.

Dean Howell, Secretary
By Kay Wiley
Recording Secretary

<p style="text-align: center;">Next WFCA Executive Committee Meeting Date: October 25, 2018 Location: Hilton Dallas Southlake Town Square, Southlake, Texas</p>
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