



## WFCA BOARD OF DIRECTORS MEETING MINUTES

Friday, March 29, 2019

Loews Ventana Canyon, Tucson, AZ

### GUESTS

Meredith Etherington, Litman Gregory  
Craig Keller, Litman Gregory

### CALL TO ORDER

Fromm called the meeting to order at 8:05 am mountain standard time.

### ROLL CALL

Sam O'Krent performed the roll call (becomes a permanent part of the minutes).

### ANTITRUST AND FIDUCIARY RESPONSIBILITIES

Legal Counsel, Jeff King, reviewed the fiduciary responsibilities of the board of directors with those present.

Humphrey recognized and welcomed new board of director members that will serve a three year term on the WFCA board. The new members are: Cheryl Acierno, Denver, CO, Mike James, Smyrna, TN and Patrick Warren, Los Angeles, CA.

### APPROVAL OF WFCA BOARD OF DIRECTORS MEETING MINUTES DATED 10/26/2018

It was **M/S/C Jacobi/Degraaf** to approve the minutes from the WFCA board of directors meeting that was held in Southlake, TX on October 26, 2018.

### APPROVAL OF THE MINUTES AND APPROVAL OF ACTIONS OF THE EXECUTIVE/FINANCE COMMITTEE DATED 10/25/2018

It was **M/S/C O'Krent/Degraaf** to approve the minutes from the executive/finance committee meeting on October 25, 2018 in Southlake, TX.

### FINANCIAL REPORT

Abernathy began with the 2018- year end unaudited financials. The group was informed that WFCA has selected a new group of auditors in Dalton, Georgia. Year over year WFCA grew their revenue by 14%. The operating expense came in significantly under budget for 2018. The WFCA portfolio experienced a total investment loss of \$3M in 2018. The total net loss for 2018 was \$5.8M.

### Balance sheet:

The total assets at year end 2018 was \$35,908,233. That is a decrease \$5.8M or 14% compared to the previous year. There is no net debt outside of normal standard expenses.

**Statement of activities:**

There was \$1,585,830 of total operating revenue at 2018- year end. That was less than the budgeted amount of \$1,899,350. The total operating expense for 2018 was \$4,546,466 compared to a budgeted amount of \$4,985,972. This equates to a 4.9% operating net cut year over year.

**Trade scholarship:**

There was growth of use in trade scholarships for 2018. Most growth came through internal training programs. The total number of awards granted was 291 which was up from 278 in 2017. The average amount of each award was \$302. The total amount awards in 2018 was \$87,816 versus \$76,414 in 2017. The largest user of the trade scholarship program was CFI. This is an internal transfer which means the money stays within WFCA. It also proves our members are utilizing our training programs.

**Services Inc:**

Abernathy informed the new members that Services Inc. is a for profit arm within WFCA. We are no longer writing premiums through that captive. There was \$400,000 recently released from a restricted account. There is approximately \$600,000 in cash still sitting in the captive. If the funds are moved taxes must be paid. There is no rush to move the funds now.

Abernathy stated the investments and financials are showing improvement through January and February 2019.

**ACCEPTANCE OF FINANCIAL STATEMENTS – Ended December 31, 2018**

**It was M/S/C Bowler/Howell to accept the financial statements as presented ended December 31, 2018.**

**INVESTMENT PORTFOLIO UPDATE**

Meredith Etherington began the presentation with Litman Gregory's investment approach stating LG builds and manages investment portfolios by considering both short-term downside risk and potential long term returns. The current portfolio building blocks are made up of stocks, bonds and alternatives. Litman Gregory has a seven-person team that researches the WFCA portfolio. The WFCA portfolio is globally balanced. (Strategic allocation 40% bonds and 60% global equities) The portfolio is underweight on investment grade bonds and US stocks due to unattractive valuations and medium-term return potential. The portfolio experienced positive returns from US equities in 2018. Nearly all asset classes ended negatively in 2018. Both global stocks and US core bonds were negative for the first time in over 40 years. The portfolio has seen a positive turn around thus far in 2019. The WFCA portfolio has a return of 6% net of fees since the inception date of 12/31/2015.

Craig Keller stated LG expects low single digit annualized returns for US stocks in our base-case scenario over the next several years. The near- term outlook for international and emerging-market stocks is clouded by a series of upcoming events and macroeconomic uncertainty. Those events include global economic slowdown, global trade and tariffs, Brexit showdown, Italian budget dispute, federal reserve monetary policy tightening and US political dysfunction. Historically international stocks have delivered strong when US stock returns have been low. He added that interest rates are expected to rise resulting in low returns for core bonds over the next few years. Litman Gregory selected active bond managers who can provide higher yields and less sensitivity to rising interest rates. WFCA fixed income managers have delivered strong returns despite recent performance. Managed futures provide valuable risk management benefits when investors need them most. Stock markets are up approximately 18% today compared to year end 2018.

## **Asset Class Return Base Case Estimates Over Next Five Years:**

### **Equity Asset Classes:**

US Larger Cap 3.3%  
Developed International-Europe 16.6%  
Emerging Markets 11.3%

### **Fixed Income Asset Classes:**

Investment Grade Bonds 2.8%  
High-Yield Bonds 3.3%  
Floating- Rate Loans 6.1%

Based on projected five year annualized returns and current asset allocation WFCA's expected returns as of 12/31/18 was 6.3% and as of 3/21/19 is 5.1%.

## **ACCEPTANCE OF INVESTMENT REPORT**

It was M/S/C Adams/Degraaf to accept the investment portfolio report as presented by Litman Gregory.

## **CEO REPORT**

### **Marketing & Communications:**

The goal for 2019 is to increase the reach through social media and increase engagement. WFCA plans to utilize social media to connect to membership drives. WFCA has a total of 1.4k followers via social media platforms.

Humphrey mentioned the upcoming WFCA 60<sup>th</sup> Anniversary celebration happening in September 2019. This event will be held in Adairsville, GA. The staff is currently compiling an attendee list and working on an event registration site.

Hall of Fame applications are currently being accepted. That induction will take place in conjunction with the 60<sup>th</sup> Anniversary celebration.

### **Membership:**

In 2017, based on a recommendation from a former board member, WFCA began taking a deep look into their members and membership structure. The goal changed from getting as many members as possible from a numbers standpoint, to focusing on the "right" members. The goal is to have members on board that are truly engaged and focused on the success of their business and the flooring industry. WFCA will no longer attend any flooring industry shows that require a fee for a booth. And WFCA will no longer pay trade scholarship awards to any attendees of any flooring shows that do not give WFCA a comp booth on their showroom floor. WFCA is currently active in a membership campaign to grow membership with the "right" people. WFCA's primary membership category has 924 members. The associate category has a total of 376 members. All categories combined represent 2,600 WFCA members. It was suggested that a WFCA membership campaign be headed up by an associate member. Humphrey presented a list of industry events that WFCA will participate in during 2019.

### **Education/Training:**

The WFCA University is \$399 per year for all employees and all locations for WFCA members. The cost is \$699 per year for non WFCA members. King suggested sending out Tom's Tips modules randomly as a teaser to every member to make them aware of what they are missing if they are not subscribing to the university. Comments were that Tom's Tips are quick and easy to watch with valuable information.

**CFI update:**

CFI is working to tackle the installation crisis. Build My Future: Flooring Edition is a career fair for local high school students and young adults. This event gives them an opportunity to “test drive” a day as an installer through interactive demonstrations and education facilitated by industry professionals. The goal behind this career fair is to get in front of the youth and inform them of a viable career path that they may have not known was an option. All the resources were donated by Build My Future. The response of the local high schools has been amazing.

The CFI annual convention is August 21-23, 2019 in San, Antonio, TX. The convention is being held at the La Cantera Resort & Spa. CFI will be having their first annual golf outing to raise education and training funds.

CFI helped manage TISE’s first “Installer of the Year” installation competition since 2003. To continue to raise awareness on the shortage of installers in the industry, CFI and Informa partnered together to bring light to those talented installers in the industry to help persuade and show gratitude.

**fcB2B**

Abernathy announced to the group that Phil Zolan resigned from WFCA. Phil accepted a position with a flooring company closer to his home.

**Research:**

Research projects in 2018 include a retail HR benefits benchmarking survey, a Q3 market research survey and the framework was completed for a financial benchmarking report. Abernathy commented that participation in the surveys was very poor.

fcB2B currently has 78 members. The goal for 2019 is to have 86 members. New members added since the last board meeting are Republic Distributing, Master’s Craft Corp., FloorSoft Inc., Onrivet, Consensus Resource Group and Bishop Distributing.

WFCA launched a new app at Surfaces called askHOWi. This app allows a retail sales associates to take advantage of web services that have been recently developed. This web app offers hands on warehouse information, gives ability to register for classes, etc.

There is also a WFCA/CFI installer app in the development stages. This app will serve as an online scheduling and invoicing tool and will allow installers to interact with retailers electronically.

fcB2b is in the process of developing a certification program.

**Floor Covering Industry Foundation (FCIF):**

Humphrey gave an overview of the FCIF for the new board members that may not know about the association. The goal is to raise an additional \$150,000 each year over a three- year period. This would grow the organization to \$1M in revenue by 2020. The number of grants have grown due to an employee being hired to focus solely on the organization. Grant expense review: 2017 grants - \$442,610, 2018 grants - \$608,000 and the budget for 2019 is \$745,000. The number of grants awarded is also up. (32 in 2015, 36 in 2016, 63 in 2017 and 96 in 2018)

Board members were invited to support FCIF by:

Advocacy – Use your voice to help connect those in need

Treasure – Make a personal and/or corporate gift

Leadership – Share about FCIF with other companies, suppliers, installers – so they have an opportunity to be a part.

**MBS update:**

MBS is a platform for installation for flooring, walls, ceilings, roofs, etc. MBS received a patent for wall and floor applications. The patent gives great credibility to this exciting new technology. Humphrey made everyone aware there are other magnetic products in the industry. The competitive products are more expensive and more labor intensive during the installation process. Daily requests are coming in from the website from people wanting to know where this product can be purchased at. Humphrey invited the board to review MBS products that were on display at the board meeting.

Contacts are currently being finalized with a US manufacturer. This will qualify the platform technology as an official "Made in US" product.

It was **M/S/C Degraaf/Bowler** to approve the additional funding for MBS up to \$700,000.

**LEGAL/LEGISLATIVE REPORT**

King gave a list of advocacy issues that he is currently targeting on behalf of WFCA. Please refer to the board packet sent out prior to the board meeting for the legal/legislative report in its entirety.

## Primary Legislative Matters:

- Credit Card Swipe Fees
- Minimum Wage
- Retirement /Pension Reform
- Family Leave

## Monitored Issues:

- Independent Contractor
- Internet Sales Tax
- Tax Reform
- Immigration
- Tariffs and Trade Issues
- Healthcare
- Privacy Protection
- State Issues

## Primary Regulatory Issues:

- Management Overtime
- Association Retirement Plans
- Joint Employer Regulations
- Crystalline Silica
- Association Health Plans
- Federal Apprenticeship Programs
- Regular Pay Requirement

## Legal Issues:

- Breach of Contracts
- Trademark Infringement
- Admin Issues
- Publications/Speeches
- MBS

### **PAST CHAIRMAN'S COUNCIL**

Johnson performed the Past Chairman's report on behalf of Maryanne Adams. The council asked for clarification on what WFCA is willing to pay for the invitees of the upcoming 60<sup>th</sup> Anniversary. Abernathy made the group aware that WFCA will only be supplying a free dinner to inactive past chairmen and Hall of Fame members. This celebration is happening in conjunction with the fall board meeting so the active past chairmen will be reimbursed under standard policies as stated on the reimbursement form. It was agreed upon that Paul Pumphrey will be allowed to attend as the guest of honor and will be reimbursed fully for his incurred expenses.

The council requested that WFCA move back to having two board meetings per year once financials allow.

### **EDUCATION COMMITTEE**

Jacobi informed the members that a conference call was held prior to the board meeting. Jennings & Humphrey are scheduled to meet with NAFCD to explore opportunities for them and WFCA to work together to offer joint training. Jacobi reminded the attendees that the education budget has been reduced significantly and that would impact the creation of new online modules.

### **HISTORICAL COMMITTEE**

Blake encouraged the board members to donate any unwanted flooring related items to WFCA to be placed in the WFCA museum to be put on display. Contact Kay Wiley for shipping details.

### **CONTINUING BUSINESS**

Humphrey asked for clarification on the lifetime membership category. It was previously voted on that the lifetime membership designation was developed for individuals (past chairmen) and not for businesses associated with the individual. There is confusion on this issue internally and with board members. Abernathy read the bylaws out loud to everyone to confirm what the policy states in the current bylaws. King indicated the bylaws were revised to make a lifetime membership a category for individuals only. Brown suggested the bylaws committee meet to discuss this issue and re-visit the topic. Abernathy stated there are currently 38 lifetime members on the WFCA roster. Alton requested a follow up conference call to discuss this issue prior to the bylaw committee meeting.

### **NEW BUSINESS**

Abernathy made the board aware that the decision was made to reduce the meal reimburse amount from \$125 back to \$75 due to the current financial situation.

### **ADJOURNMENT**

There being no further business to discuss. It was **M/S/C Jacobi/Degraaf** to adjourn the WFCA board of director's meeting at 4:18 pm mountain standard time.

Respectfully submitted,  
Kay Wiley

<p style="text-align: center;"><b>NEXT WFCA BOARD OF DIRECTORS MEETING</b> <b>September 20, 2019, Barnsley Garden Resort, Adairsville, GA</b></p>
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