



## **WFCA BOARD OF DIRECTORS MEETING MINUTES**

**Friday, May 18, 2018, Orlando, FL**

### **GUESTS**

Kathryn Baird, TK Fusion LLC

Tony King, TK Fusion LLC

### **CALL TO ORDER**

Adams called the meeting to order at 8:05 am eastern.

### **ROLL CALL**

Dean Howell 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: Kelly Cosgrove, HOM Furniture Inc., Jeff Lerner, Floorcraft, Skip Mancini, BT Mancini Co. Inc., Lauren Voit, Great Western Flooring, Joey Faircloth, Mohawk Industries (Associate Member) and Jay Kopelson, Mannington Mills (Associate member).

### **APPROVAL OF WFCA BOARD OF DIRECTORS MEETING MINUTES DATED 10/27/2017**

It was **M/S/C O’Krent/Freadreacea** to approve the minutes from the WFCA board of directors meeting that was held in Rosemont, IL on October 27, 2017.

### **APPROVAL OF THE MINUTES AND APPROVAL OF ACTIONS OF THE EXECUTIVE/FINANCE COMMITTEE DATED 10/26/2017**

It was **M/S/C Degraaf/Walters** to approve the minutes from the executive/finance committee meeting on October 26, 2017 in Rosemont, IL.

### **FINANCIAL REPORT**

Abernathy began reporting on the 2017 full year financials. He informed the board 2017 was an outstanding year financially with cost management, revenue and portfolio performance. WFCA reported total assets of \$41,727,238 at year end 2017. That equated to a 6% gain over the prior year ending December 31, 2016. Expense management contributed to this increase along with outstanding portfolio performance. WFCA operating expenses have reduced for three years in a row. The portfolio performance alone in 2017 allowed WFCA to book \$5,116,054 in portfolio gains. The portfolio performance, operating revenue, and operating expenses resulted in \$2,007,554 net income at December 31, 2017. This is an increase of \$1,356,060 versus the prior year.

The number of trade scholarship awards issued in 2017 was 278. The number of awards were down 52% compared to 577 awards issued in 2016. The average dollar amount of each award was up 38% in 2017. The total amount of funds awarded in 2017 was \$76,414 which is 31% less than 2016.

Abernathy gave a snapshot of the Q1 financials ending March 3, 2018. The January 2018 financials began with a bang. The stock market went up 10% in January and then began declining February and March. The decline caused WFCA assets to decrease 2% for the first quarter leaving the total assets at \$40,830,298. The net loss of assets was -\$364,374 versus \$840,727 prior year same quarter. Abernathy gave the following financial highlights for the 1<sup>st</sup> quarter:

Operating Revenue \$992,113 vs \$487,465 PYSQ (+104%)  
Operating Expenses \$1,421,127 vs \$1,444,410 PYSQ (-1.6%)  
Operating Excess \$-429,014 vs \$-956,945 PYSQ (-55%)  
Other Revenue \$89,955 vs \$66,903 PYSQ (+34%)  
Total Investment Gain \$-25,315 vs \$1,730,769 PYSQ (-101%)

Total Income \$-364,374 vs \$840,727 PYSQ (-143%)

The number of trade scholarships awards issued through the first quarter was 122 versus 162 the same time prior year. The average amount of each award was \$248 versus \$268 the same time prior year. And the total amount of awards issued was \$30,287 versus \$43,446 the same time prior year.

#### **INVESTMENT PORTFOLIO UPDATE**

Meredith Etherington of Litman Gregory began her presentation with an update on the overall portfolio performance. Etherington agreed with Abernathy stating 2017 was a fantastic year for the market and the WFCA portfolio too. Examples of the stellar market performances include US markets being up 22%, European markets being up 26% and Emerging markets being up 32%. The WFCA portfolio is a balanced portfolio and is being managed with 60% equities and 40% fixed income. The WFCA portfolio performance ended 2017 with a 15.32% increase. Etherington stressed the stock market is volatile and everyone should expect a 10% correction in the stock market at some point every other year according to statistics dating back to 1950.

Craig Keller of Litman Gregory added to Etheringtons' update by stating that Litman Gregory is a fiduciary company as well and the WFCA portfolio is managed according to the WFCA investment policy statement. Lerner asked if the investment policy being worked from today is still relevant to the stock market patterns. Johnson responded the investment policy was changed to become more conservative after the financial crisis and was amended in 2016 to allow more risk as the economy bounced back from the financial crisis. Abernathy stated that investment policies should not be adjusted to the whims of the market and Keller agreed.

Keller 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%.

#### **ACCEPTANCE OF FINANCIAL STATEMENTS – Ended December 31, 2017**

It was M/S/C Seifert/Degraaf to accept the financials and financial statements ended December 31, 2017.

#### **ACCEPTANCE OF INVESTMENT REPORT**

It was M/S/C Walters/Lewis to accept the investment report as presented by Litman Gregory.

#### **CEO REPORT**

Humphrey recognized the Nebraska/Iowa Floor Covering Association for making a donation to the Floor Covering Industry Foundation. The association disbanded and made the donation of \$25,135 in memory of Doris Miller's late

husband. Tim Jacobi was called up to say a few words about the donation. He said it was a bitter sweet decision to close the association but they are happy to be able to put the funds to good use in the industry.

Humphrey also commended Jeff King for being recognized by Floor Covering News as one of the “10 People Driving the Industry”.

Humphrey gave a presentation titled, “What If...”? He began by informing the board of director’s that 2018 marked his fifth year with WFCA. He gave a lengthy list of multiple initiatives and tasks that the WFCA has focused on and completed in his first five years as the CEO of WFCA. Humphrey thanked the board for allowing him to select his team. He expressed how thankful he is and how phenomenal his team/staff is.

There are three focuses of “What If” questions

**Past:**

*What if we hadn’t*

Merged the WFCA and AFA to form WFCA?

Created Surfaces?

Sold the show?

*What if we had*

Become a buying group?

Done nothing?

Stayed in Anaheim?

**Presence:**

*What if we aren’t*

Paying attention?

Making a difference?

Committed?

*What if we are*

Stuck?

Irrelevant?

Off course?

**Future:**

*What if we don’t*

Change?

Commit?

Convince professional flooring dealers to join?

Have the right people on the bus?

Solve the installation crisis?

*What if we do*

Represent the majority of professional flooring dealers?

Lead?

Whatever it takes to fulfill our purpose statement?

**MEMBERSHIP**

Whitener is the National Membership Manager for WFCA and that is her sole focus. She reported membership has experienced growth in 2018 versus the same time last year. In addition to the current number of members Whitener

provided a buying group report. This report gave a visual break down of the WFCAs members and which buying groups they belong to. There are very few buying group members that are members of WFCAs too. Most of the groups are concerned with embracing WFCAs because of the benefits offered. The buying groups see WFCAs as a competitor. The WFCAs has no intent to compete with any of the buying groups or their benefit programs. Kopelson suggested WFCAs invite the corporate level managers to be on the board. Johnson and Blake responded saying several of the corporate level managers have served on the board in the past. Roberts suggested approaching buying group members with benefits WFCAs offers that their buying group doesn't offer rather than flooding them with all the benefits at one time. Kopelson suggested current influential WFCAs members that are part of buying groups to also work to sell WFCAs membership in at the various group conventions. Whitener ended her presentation stating the buying groups are not the only place WFCAs is lacking in members. There are numerous independent retailers that are not associated with any groups that are also not WFCAs members. Humphrey and Whitener encouraged the board to send any suggestions and or ideas to help grow WFCAs membership.

## **MARKETING/COMMUNICATIONS**

Staten's role within WFCAs is no longer focused on membership but solely geared towards marketing and communications. Staten provided the group with a handout detailing the marketing strategy and brand communication awareness initiatives. WFCAs markets and communicates in many different ways such as, advertising, personal selling, public relations, events, and direct & indirect marketing. WFCAs has increased communications via blogs, emails, events, PFR Magazine, public relations, social media, trade media advertising, video and website. She informed the board that there will be more direct mail communications and less emails.

A focused effort has been placed on CFI recently to refresh the brand and will be showcased at the upcoming 25<sup>th</sup> 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 WFCAs 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. Staten asked the board their opinion on a cost to attend the conference. She threw out a registration fee of \$399 and several directors said that was too expensive and should be lowered. This fee will not include transportation or hotel costs. Freadreacea mentioned the normal fee to attend most industry events is \$199 per person. Brown suggested \$199 per person or \$299 per company to encourage retailers to send more people. O'Krent added this is not a money making event. The purpose of this event is to educate retailers about the value of WFCAs by offering educational sessions regarding current hot topics. This conference will also provide networking sessions for retailers. Staten invited the board of directors to attend the event. Humphrey mentioned there may be discounts offered for current members but statistics have proven people see no value in anything that is offered for free. O'Krent shared he would like to see the fee be \$199 for current WFCAs members and \$299 for non- members which would include a free year of membership. Each additional guest could be charged \$69 or \$99 each to help offset the cost of the event. Weiss asked if the event could be planned in advance and held in conjunction with Surfaces in Las Vegas. King informed Weiss the contract between WFCAs and Informa states WFCAs is not allowed to have any educational events 30 days prior and 30 days after Surfaces. Humphrey added WFCAs is allowed to be present at the Domotex show but could not be an official sponsor. Blake reminded the group that WFCAs is a member of the IICRC and could use their facility in Las Vegas to host training events if a location is ever needed.

Staten reported that all communications coming out from WFCAs have links back to wfca.org. 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 WFCAs 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 WFCAs and the importance of education.

Staten has formed a Vendor Partner Selection Committee of which she will serve as the chairman. The purpose of this committee is to research and determine the value of particular vendor companies prior to adding them to the WFCA benefit offerings. Members of the committee are Deb Degraaf, Adam Nonn, Bob Weiss, Don Roberts, Carrie Seifert, Curt Bowler, Kaye Whitener and Phil Zolan.

### **LEGAL/LEGISLATIVE REPORT**

King informed the board of all the primary matters he has been working on for WFCA regarding legal and legislative matters stating it is a very busy time.

### **Tax Reform**

King, Humphrey and Abernathy met with congress recently. King noted one of the principle issues was pass through rates. They preferred the senate version over the house version. The pass through income issue is complex and does not include any investment income. Businesses are allowed to take 20% off taxes for qualified business income. This deduction can't exceed 50% of the wages paid. (Not including owners' wages paid) When trying to decide to pay as a subchapter S or C there is no clear answer. If the company plans to reinvest or has contractors/employers it would be best to pay under a C subchapter. If a business is an LLC they can elect to be treated as a C or S Corp but that decision must be made by March of each year. This is a five year commitment once the decision is made. King suggested the board members work with their accountant to determine what is best for them. There have been tax reform changes for associations also regarding unrelated business income tax (UBIT). WFCA may have to make revisions to the current procedures to avoid double taxation.

### **Independent Contractor**

An independent contract provision was added in the senate bill but isn't final. The National Labor Relations Board made a decision if you misclassify a subcontractor as an employee it is an automatic labor violation subject to fines. Regardless of union affiliation. King submitted an amicus brief on this issue. The two arguments are the confusion of the bill rules and the second argument was it would inhibit the growth and survival of small businesses. King continues to push for a simple standard that all agencies must apply even though it is not on the current agenda.

### **Internet Sales Tax**

The internet sales tax issue is before the supreme- court. In 1992 the supreme- court decided a case called Quill. In Quill you can't require an out of state seller to collect state sales tax unless they have a physical presence in the state. King submitted an amicus brief to the supreme-court on behalf of WFCA arguing that Quill should be reversed or at least create more than a physical presence standard. The outcome is still unclear. WFCA is taking the lead in finding a compromise.

### **Estate Tax**

King proposed a generation skipping alternative for businesses.

### **Overtime Rule**

There is still discussion regarding the amount of salary an employee has to make to disqualify from being paid overtime. Currently the income level is nearly \$50,000 annually and the employee must also perform management duties. WFCA performed a survey of the members and King has submitted comments to encourage the lowering of the salary amount. King expects a decision should come around January 2019.

### **Association Health Plans**

Large companies can offer affordable health care plans because of their size. There is a regulation in the works that would allow WFCA to possibly have access to offer a large employer plan by allowing every WFCA member to be counted as an employee. King submitted very detailed comments regarding health care plans for small businesses.

## **Silica Dust Regulation**

The silica dust regulation became effective September 23, 2017. See article in September PFR issue.

## **Formaldehyde**

King is keeping an eye on the EPA's formaldehyde composite wood rule.

## **S600**

A settlement has been negotiated and WFCFA assigned the rights to CRI. We are currently waiting on the IICRC negotiations to be made.

The legislative committee recommended to continue supporting the internet sales tax legislation, continue to push for federal independent contractor legislation, and they would like to set up a legislative day annually for members to meet with congress.

King concluded the legal and legislative report by saying WFCFA has no current legal claims against them and is a well run association that takes proper precautions.

## **fcB2B**

Zolan announced the fcB2B currently has 68 members. The newest members are Vogueboard, Longust Distributing, Phenix Flooring and Ceramic Tileworks. Zolan has created a list of manufacturers he plans to target to recruit. The targeted list includes Milliken, Godfrey Hurst, Florida Tile, Porcelana, Leggett & Platt, Johnson Hardwood, Forbo, Stanton, Prestige, Eleganza, Intl Whole Tile, Carpenter, Gallaher and Radio. He asked the board members to reach out to any of the companies they do business with on the targeted list to encourage them to do business B2B. A new EDI standard was approved for use 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 in Atlanta, GA. Zolan reviewed the results from the market trends survey that was completed in the fourth quarter of 2017. The financial benchmarking report is expected to be complete by the end of June 2018. The Floor Covering Leadership Council partnered with the Blackstone Group out of Chicago to research and identify installation barriers and solutions. This research will also quantify the financial consequences to the flooring industry.

## **CFI UPDATE**

Varden expressed his disappointment with Informa regarding lack of booth space during Surfaces in Las Vegas. The CFI was not able to perform certifications. CFI focused on the building and set up of the MBS booth. WFCFA has since met with Informa about these issues and it appears that Informa would like to put a spotlight back on installation moving forward. CFI recently partnered with FUSE Alliance and put a five week program in place for commercial product training. CFI attended their show and Fuse is now marketing to their members on behalf of CFI. An installation school was opened in China March 2018. CFI renewed the program in South Africa. There is also now a CFI school open 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. This year is CFI's 25<sup>th</sup> anniversary. There will be time set aside during the convention for a train the trainer exercise. CFI trainers will be trained and certified by Tarkett trainers on the resilient side.

### **WFCA UNIVERSITY**

Jennings circulated a page that contained a purpose statement pertaining to the WFCA University. Jennings is in the process of creating consolidated industry certifications and plans to begin with installation. The goal is to be able to roll out this industry initiative at Surfaces 2019. Jennings informed the members there is an increase in online usage of the university. WFCA will continue to offer custom sales training but will discontinue the camps as suggested by the education committee. The Gold Standards Awards selections have been made and announced for 2017. Jennings provided information regarding the Empower2018 Educational Conference that will be held in San Antonio, Texas September 20-21, 2018. Keynote speakers include Steve Hillis and his topic will be Empowering Your Team. Other topics for educational sessions are Succession Planning, Enhancing Your Communications (social media), The Way to Wealth and a presentation on how to deal with Sexual Harassment in the work force. There will be roundtable discussions on installation and managing online reviews.

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

Donny Phillips gave an update on the items discussed during the past chairman's meeting. Nick Freadreacea was unable to attend due to a conflict with schedules. WFCA's 60<sup>th</sup> anniversary is in 2019 and will be celebrated during the fall board meeting in Adairsville, GA. The past chairmen feel strongly about inviting all past chairmen to attend. The recommendation would be for WFCA to pay the airfare and one night's lodging for each past chairman. The invitation list was also discussed. The council spoke on the separation of WFCA and MBS. They felt it was a good decision to split the two entities sooner rather than later.

### **HISTORICAL COMMITTEE**

Blake inquired about the artifacts that were sent to Dalton. He would like to see those artifacts displayed in a formal fashion. Blake is WFCA's representative to the IICRC. He attends four meetings per year on behalf of WFCA. The IICRC offers 11 different certifications.

### **EDUCATION COMMITTEE**

Jacobi wasn't able to attend the education committee meeting due to travel delay issues. Jennings chaired the meeting for Jacobi.

### **CONTINUING BUSINESS**

No continuing business to discuss.

### **NEW BUSINESS**

No new business to discuss.

### **ADJOURNMENT**

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

Dean Howell, Secretary

Respectfully submitted,

Kay Wiley

**NEXT WFCA BOARD OF DIRECTORS MEETING**

**October 26, 2018, Hilton Dallas Southlake Town Square, Southlake TX**