



WFCA BOARD OF DIRECTORS MEETING MINUTES

Friday, October 26, 2018

Southlake, TX

CALL TO ORDER

Adams called the meeting to order at 8:34 am central.

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.

APPROVAL OF WFCA BOARD OF DIRECTORS MEETING MINUTES DATED 05/18/2018

It was **M/S/C Degraaf/Hadley** to approve the minutes from the WFCA board of directors meeting that was held in Orlando, FL on May 18, 2018.

APPROVAL OF THE MINUTES AND APPROVAL OF ACTIONS OF THE EXECUTIVE COMMITTEE DATED 05/17/2018

It was **M/S/C O’Krent/Freadreacea** to approve the minutes from the executive committee meeting on May 17, 2018.

Humphrey presented Karyn Hadley and Carrie Seifert a plaque as their term on the WFCA board of directors ends December 31, 2018. He also honored Maryanne Adams with a chairman jacket and plaque for serving as chairman in 2018 on the WFCA board of directors.

Humphrey made the WFCA board of directors aware that he will be presenting the staff reports on behalf of the department managers to save on time due to many board members departing early.

FINANCIAL REPORT

Humphrey performed the financial reports on behalf of Abernathy. He had a death in his immediate family and departed the meeting Thursday afternoon.

Statement of Financial Position:

The WFCA total assets through June 30, 2018 were \$39,820,988 which is a decrease of \$1,913,143 or 4.6% since year end 2017. The net book value of investment in MBS joint venture was \$1,245,975 which is an increase of \$576,963 since year end 2017. (This increase includes partner share of allocated losses from prior years) The gross investment in the MBS joint venture is \$1,697,008 since inception through June 30, 2018. (\$1.18M is cash value and \$517K is allocated through time of WFCA staff serving dual roles)

Financials Statement of Activities:

For the six month period ending June 30, 2018 WFCA's operating revenue was \$1,227,750 vs \$1,156,558 budget vs \$1,099,329 prior year to date. That revenue equates to an 11.7% increase. WFCA's operating expense was \$2,459,489 vs \$2,629,120 budget vs \$2,499,422 prior year to date. Those expenses equate to a 1.6% decrease. Humphrey added that WFCA has come in under budget as a staff for four consecutive years or longer. The other revenue stems from allocated funds that come back to WFCA from FCIF and MBS. The other revenue funds were \$185,852 vs \$135,420 budget vs \$155,635 prior year to date. The other revenue funds equate to a 19.4% increase. WFCA experienced an investment loss of **-334,859** vs \$1,294,988 budget vs \$2,791,612 prior year to date. That investment loss equates to a **-112.2%** decrease. WFCA's net income was down **-\$1,380,746** vs **-42,144** budget vs \$1,547,154 prior year to date. (**-189.2% decrease**)

Investment Portfolio Performance:

As per Litman Gregory's reporting year to date June 2108, the WFCA portfolio is down **1.0%** with a loss of **\$370,277**. However the annualized numbers for the last 12 months indicate a growth of \$2,253,948. (5.9% annualized) Since inception on 12/31/2015 (Litman Gregory's tenure) WFCA's portfolio has a gain of \$6,492,243 which equates to 7.3% annualized. Humphrey added looking at the performance at a one year snapshot is scary but looking at it annualized overall the portfolio is tracking on target based on Litman Gregory's expectations. Subsequent activity to Q2 YTD October 18 WFCA has had an additional loss of **\$1,312,653 (3.5%)**

Q3 Preview of Key Metrics:

- Operating revenue under pace to budget but well above 2017 YTD through September
- Operating expense running significantly under budget and below 2017. Expecting to be under budget for full year 2018 and below 2017 actuals
- Investment portfolio significant underperformance to budget and prior year. Expect continued market volatility and lowered return expectations per Litman Gregory
- Gross investment in MBS joint venture at approx. \$1.8M (1.2M cash \$600K allocation)
- MBS original \$2M commitment will exhaust in Q4

ACCEPTANCE OF FINANCIAL STATEMENTS – Ended June 30, 2018

It was M/S/C Jacobi/O'Krent to accept the financials and financial statements ended June 30, 2018.

2019 PROPOSED BUDGET

The 2019 budget was not discussed in great detail nor was it presented for approval due to many changes that were discussed in the executive/finance committee meeting. Abernathy will make the changes that were suggested and voted on. The executive/finance committee will meet via conference call to finalize the budget that will be presented to the full board for final approval.

Humphrey stated WFCA will continue to be an association of action.

- WFCA will work together with other associations whenever and wherever possible.
- WFCA will do what is best for the industry as a whole.
- WFCA will do the right thing.
- WFCA will be a catalyst for change.
- WFCA will lead!

Humphrey expressed WFCA needs its board members to be engaged, to be vocal whether in agreement or not, to be proud by sharing the WFCA successes publicly and finally to be a multiplier to help grow WFCA's membership. He shared five items he tasked the WFCA staff with after their staff meeting. The WFCA staff is to be focused on: growth, retention of current membership, engagement, simplifying the lives of our members and being fiscally responsible.

MEMBERSHIP

The primary membership level is up 17 members for the period June 1 through June 30th. And up 63 members when compared to July 1, 2017. WFCA continues strategic and targeted growth. WFCA has added eight associate members June 1 through June 30th and 224 since July 1, 2017. This increase is vital since this level of membership pays higher dues. Humphrey stated WFCA is excited to be a part of industry groups and working together to offer supplemental benefits to retailers. Membership has grown by 40 member's year to date. WFCA is focused on slow incremental growth to assure the "right" members are on board. WFCA made major funding changes in the affiliate structure. Many affiliates were only members to receive a check from WFCA. There are currently only six affiliates that remain active with WFCA.

EDUCATION

There are 331 retailers utilizing the online university. WFCA is introducing new modules based on product knowledge. There are two additional sets of modules. One is focused on leadership and back office management and one focused towards sales. The goal of the product knowledge based modules is to introduce general information regarding products that is not manufacturer specific. Ten to 15 modules will be released initially and available by end of 1st quarter 2019. The cost will be \$199 each or \$499 for all three modules. There will also be an interactive monthly Q&A webinar exclusively to WFCA members enrolled in online training programs. WFCA offers onsite customized training sessions for WFCA members. The fee is \$3,930 (including travel expenses) for board members and \$4,740 for WFCA members. Continuing programs for 2019 include 50 new "Tom's Tips" episodes, updated "Selling More Than the Floor" video series, industry sponsored webinar events, and "Ask the Expert" which is available to WFCA members only.

FLOOR COVERING BUSINESS TO BUSINESS

fcB2B held its annual meeting in October. There were 65 people representing 34 unique companies in attendance. That attendance was up 11 people compared to the annual meeting in 2018. The current membership is 76 companies which is up 16 from October 2017. The goal for 2019 is 86 members. There is only one company that chose not to renew in 2018. Humphrey commented the fcB2B membership should be double. Initiatives in 2018 include: implementing new EDI standards starting in quarter four, a new order status web service was implemented and deployed and partnership with NAFCD was established. This partnership aids in getting distributors on board.

Coming in 2019 will be a WFCA app. This app will work with Apple and Android devices. This app will allow a member to check their WFCA member status, register for WFCA University modules, register for CFI training and utilize B2B web services subscription.

There will also be a WFCA/CFI installer app. This app will serve as an online scheduling and invoicing tool. fcB2B is partnering with Clockit Software Ltd for this service. This app will be rolled out at TISE in 2019.

FCIF (Floor Covering Industry Foundation)

Humphrey began by informing the WFCA board of directors they can give to FCIF individually as well as corporately. Adding that WFCA staff also gives to this foundation. The total revenue for 2017 was \$603,512 and the total expenses were \$604,070. FCIF is on track to raise an additional \$150,000 by year end 2018. The goal is to have \$150,000 in annual growth for the next three years. FCIF recently launched a "Helping My Fellow Man" campaign that resulted in 20 new donors totaling \$103,382 in new dollars. Fifteen of the existing donors renewed gifts with increases representing \$36,217 in growth. There are five additional gifts that are expected to bring in \$45,000 in 2018.

CFI UPDATE

CFI is currently focusing on performing certifications in all categories. The focus has shifted to recruiting, training and placement. Mohawk has agreed to cover 1/3 of the cost of five week trainings. CFI has been invited to Mohawks annual convention at no charge to announce the new training opportunity. Nourison has added labels to the back of their

products that say, “We recommend this product be installed by a CFI Certified Professional with an R2 designation or equivalent.

CFI’s annual convention had 212 attendees. Of the 212 attendees, 46 were first time attendees. There were 30 booths occupied by paying sponsors. CFI is set to grow its international presence into China, Eastern Canada, Western Canada, Brazil, South Africa and India. TISE is offering an installation competition at Surfaces 2019 which CFI will manage. CFI also plans on opening regional training centers throughout the US to reduce the cost of travel and shipping materials.

MARKETING

WFCA marketing is focused on all entities under the WFCA umbrella. The WFCA marketing envelopes WFCA, CFI, MBS and FCIF. Though WFCA is communicating more than ever before, feedback received from the Visioning Summit conveyed it is not just about the frequency of the communication but also the way the information is communicated. In 2018 WFCA released multiple marketing materials and communications via Tom’s Tips, E- newsletters, blogs, webinars, and WFCA University training courses, trade ads, press releases, social media, PFR and the membership campaign One More Voice. WFCA will begin changing their communication towards a culture of purpose. The 2019 marketing initiatives will include industry engagement through a simplified message. Members will see more digital marketing via SEO, content marketing, social media marketing and email marketing. WFCA will launch the Paul Pumphrey Advocacy Fund. This fund is geared to support awareness through localized and personalized issues by each state.

WFCA SERVICES, INC.

Our for-profit arm of WFCA is the workers compensation captive. The captive was active in 2004 and 2005. It was re-opened in 2016 through 2016. The total written premium was \$13,646,996 and the total incurred losses were \$4,282,383. There are two open claims from those tenures. The total outstanding losses are \$17,998. Humphrey commented this was a good investment for WFCA. The workers compensation captive resulted in profits/income released to WFCA in the amount of \$2,133,000 to date. Profits that are still being held in the captive total \$468,930. There is also \$1M of collateral being held by Travelers.

It was M/S/C Degraaf/Bowler to continue into 2019 with the current slate of officers on the Services Inc. board.

MBS (Magnetic Building Solutions)

MBS has five licensed manufacturers that have signed agreements. There are four major geographic markets being covered by the five manufacturers. There are two signed distributors on board also. MBS has received one notice of issuance on patent. There are four other patents pending at the moment. Humphrey reported the momentum is good. The goal is to sign at least four manufacturers in each category by the end of 2019.

LEGAL/LEGISLATIVE REPORT

King began the legislative report with the remote sales tax collection issue. Internet sellers are selling out of their state and not collecting individual state sales taxes from consumers. WFCA submitted an amicus brief before the US Supreme Court supporting the right of states to require the collection of sales taxes by remote sellers. At the request of congressional staff, WFCA submitted comments on Congressman Goodlatte’s principles and Congressman Sensenbrenner’s bill, opposing the delay in allowing states to begin collecting the sales tax and objecting to the \$10M small business exception.

Crystalline Silica

WFCA successfully commented on the current rule and got an expanded list of tools and practices listed in Table 1, which substantially limits the amount of exposure to silica. If an employer uses the tools and tasks listed in Table 1, it is exempt from having to measure a worker’s exposure to silica. The DOL is asking if there are other tools and tasks that similarly limit exposure to silica.

Independent Contractor

This continues to be a major issue for the flooring dealer and contractor. WFCAs has taken a number of steps to address this issue. WFCAs has advocated for a single standard for all federal agencies. Each agency has its own standard that results in inconsistent results. WFCAs advocates for one sensible standard at every meeting with Congress.

Tariffs

WFCAs conducted a survey to determine the impact on its members. Based on that survey, WFCAs did not take a position on tariffs.

State Issues

The biggest state issue at the moment is California's carpet stewardship program. (CARE) California imposes an assessment on carpet sold in California to promote recycling. The assessment has steadily grown. The most recent proposal would have imposed a \$0.40 per square yard, but was reduced to \$0.35. WFCAs was active in the initial enactment of the law, and has submitted comments expressing concern over the impact of the assessment on the sale of carpet and the unfair sales by out-of-state sellers who fail to collect and remit the assessment.

King strongly urged the board members to respond to their congressmen with letters regarding the remote sales tax collection when that issue is raised again.

King took a vote using a show of hands regarding the Chinese tariffs. By show of hands the WFCAs board of directors chose not to participate or take action regarding the tariffs.

PAST CHAIRMAN'S COUNCIL

Donny Phillips performed the past chairman's report on behalf of Nick Freadreacea. The past chairmen did not want to run the WFCAs budgets based on the 7% portfolio performance. The past chairmen requested a budget sustainability model report through 2035.

For the 60th Anniversary Event, the past chairmen suggested WFCAs cover one night lodging and dinner for all past chairmen, and only dinner costs for the Hall of Fame members. They agreed to omit any reimbursements for travel costs.

HISTORICAL COMMITTEE

Blake made it clear the past chairmen feel it is very important to have a 60th Anniversary celebration. Blake added the industry needs this event. Blake suggested having a CD created to give the industry a glimpse of the progress WFCAs had made in the past 10 years. There was one created for the 50th and the last 10 years could be added to that original CD.

Blake informed the board of directors that his term on the IICRC board ends December 2018. WFCAs is the second largest share- holder of the IICRC.

Blake requested the board members to donate any historical articles or items to WFCAs.

EDUCATION COMMITTEE

Jacobi gave the education committee report stating WFCAs education needs to focus on adding more value to our members. The topics of discussion for the education committee included trade scholarship procedures, the online university, new modules, and ways to communicate to younger generations of business owners. Jennings will conduct a monthly Q&A live webinar. Editorial content will continue to be submitted to the trade publications. The Gold Standard award will be pushed back until March 2019 to give retailers more time to submit applications.

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 Jacobi/Cartmell** to adjourn the WFCa board of director's meeting at 2:24 pm central.

Respectfully submitted,
Kay Wiley

NEXT WFCa BOARD OF DIRECTORS MEETING
March 29, 2019, Loews Ventana Canyon, Tucson, AZ