

WBAI Treasurer's Report
September 10, 2014

The National Finance Committee (NFC) met on July 22, August 12, and 26, and September 9, 2014. Much of the NFC's time has been taken up with considering budget proposals for FY15. In the budgets and financial documents "Shared Expenses" is once again named "Central Services." It is still presented on an accrual basis. The CFO said that a large percentage of the "Central Services" fees have not been paid.

The CFO reported that the National Office was having difficulties getting information from the stations for the audit of FY13, which is very overdue. During the course of the NFC MEETINGS The CFO moved his prediction of when the audit would start to mid-August and then to late August. The audit has not started yet.

The National Office had trouble meeting its payroll during this period.

The CFO sent some income statements out, they are labeled "incomplete." There were any number of questions about the entries. Among other things almost all of WBAI's revenue was listed under "Listener Support," which would result in a higher "Central Services" fee. This was pointed out and should be corrected. The CFO said that he needs to work with the WBAI General Manager on this.

The CFO also put out a Profit & Loss (P&L) statement "For the Nine Months Ending June 30, 2014," in which the line for "Local Board Expenses" for June, 2014, shows an expenditure of \$25,000. That's clearly an error. I am attempting to find out the details of that entry. There are apparently some serious issues of miscategorization with regard to how the National Office is presenting WBAI's finances. The CFO said he's talked to the WBAI General Manager about Web site income and Bai Buddy income.

In July the CFO said that Pacifica would probably get CPB funds. He said that Pacifica's FCC lawyers had given him some ideas about getting the CPB to release the funds. There are compliance issues and Pacifica is trying to negotiate a partial release of the funds. In August the NFC passed the following motion, **Motion:** "All units should create budgets that show positive net income without CPB funding. Any CPB monies that are received in the 2015, fiscal year should be put toward either catching up on unpaid bills or building up operating reserves." (Passed without objection)

The NFC also passed the following motion, **Motion:** "Pacifica budgets should show Depreciation as both an operating expense, and an adjustment in the 'Cash and Capital' section that zeroes out the operating expense. Capital expenses should be budgeted separately." (Passed without objection)

The CFO has reported that the National Office has recreated all financial information from scratch. The CFO said that there is some confusion on the "Pension Contributions." This line appears to be an accrual that may never have been actually funded.

The CFO said that income is mainly being represented on a cash basis, so there is a mix of cash and accrual accounting in various of the financial documents.

The CFO said that the current interim Executive Director is talking to FSRN about a settlement of FSRN's lawsuit. The CFO said that the National Office stopped accruing and paying *Democracy Now!* after the contract ran out. The National Office has recently started

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talking to *Democracy Now!* about a new contract, and at this time the National Office is waiting for a reply from them.

The CFO said that about 50% of the “Shared Expenses” to PRA are IOUs. PRA was in emergency mode and so there was another network-wide on-air fund raiser August 19.

The nc also passed the following - **Motion:** “In response to the motion referred to the committee by the PNB, based on the amount of time the PNB spent in executive session discussing personnel issues during the first six months of 2014, the National Finance Committee estimates that implementing a motion requiring the presence of HR counsel during all such meetings will cost approximately \$30,000 per year, assuming attorneys’ time is billed at \$400 an hour. This estimate does not include prep time or travel costs for counsel to attend in-person meetings. (Passed without objection)

In the P&L the CFO issued for FY13 he said that overall WBAI showed about a \$955,000 net loss vs. about a \$66,000 surplus which was budgeted, so this puts WBAI about \$1,000,000 worse than budget. This was mainly because of a revenue shortage of about \$735,000 mostly from the lack of a CPB grant and with other allocations lower by about \$160,000. “Listener Support” was about \$189,000 below budget. The CFO said that Web site income is probably lumped into “Listener Support.” Other income areas were also lower.

The CFO said that severance payments, which are accrued in FY13, are listed as about \$296,000 total, including taxes. This is a new figure, and will relate to a later item in this report. WBAI was about \$77,000 over on Administration Expenses mainly due to office expenses and phone lines. Programming was about \$62,000 over budget, mainly due to tower and utilities expenses. Development expenses (premiums) were higher by about \$60,000. Community Events expenses were about \$25,000 lower than budgeted. “Central Services” was about \$294,000 lower than budgeted.

On September 4, 2014, the PNB passed a motion approving a loan of \$156,000 to pay off WBAI’s tax obligations regarding severance pay, which was accrued in August 2013, but paid in March 2014. The loan does not require interest payments, and WBAI must pay it back to the lender, Aris and Carolyn S. Anagnos Trust of 1984 on the following schedule:

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|---------------|-----------|
| Oct. 31, 2014 | \$25,000 |
| Feb.28, 2015 | \$25,000 |
| May 31, 2015 | \$25,000 |
| Jul. 31, 2015 | \$25,000 |
| Oct. 31, 2015 | \$56,000 |
| Total | \$156,000 |

The loan document is extremely spare, listing only the purpose of the loan, the date of the loan, the amount of the loan, the fact that there is no interest on the loan, the payment terms,

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given above, and “Other Terms: Pacifica will have the option to pre-pay the loans ahead of the schedule without penalty or fees.”

I am told by WBAI Directors that the motion regarding this loan was brought up without notice at the PNB meeting at which it was voted on. This was in violation of a Pacifica policy that the PNB may not vote on a resolution that will cost more than a certain amount of money until after the PNB has seen a financial impact assessment that estimates the cost and identifies a source for the funds. This motion never came before the NFC for a financial impact assessment.

There are differences in the amounts of money involved in this loan and the amounts previously stated by WBAI and Pacifica Management.

As reported previously, the WBAI General Manager reported to the local Finance Committee on April 2, 2014, that the station had managed to raise about \$140,000 to pay the laid off workers in March. At that time the General Manager said that the payroll taxes would be no higher than \$95,000. He told the committee that he had until the end of 2014, to pay those taxes, the committee told him that he had to pay the taxes much sooner. The figures of \$140,000 and \$95,000 added up to \$235,000 which was the figure that had been presented as the entire cost of the severance to WBAI since August of 2013.

We have now been told that the total severance pay was about \$261,000. At the August 26, 2014, NFC meeting the CFO said that severance payments are listed for FY13 as about \$296,000 total, including taxes. This is also a new number.

At last night’s NFC meeting the CFO said that he’d sent a written report to the NFC weeks ago showing the \$261,000 severance pay figure. As it turned out he hadn’t, he only sent that document towards the end of the 10 minute discussion the NFC had on this loan last night.

The CFO also said last night that if WBAI were to miss a payment that the National Office would talk to the lender. The question of what will happen in the event of a missed payment still seems substantially unanswered to me.

The WBAI General Manager has sent me a short summary of WBAI’s currently outstanding bills. Here is what he sent:

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| Empire State: | About \$150,000.00 |
| Rent: | \$15,900.00 – 388 Atlantic |
| Phone Bills: | \$5,000.00 |
| WPFW: | \$30,000.00 |

The amount owed to WPFW has been \$31,000 for close to a year now, so using that figure WBAI currently owes about \$201,900 in unpaid bills, plus some smaller bills not listed here.

Given that WBAI is in chronic arrears on its rent, etc. it is hard to see how the station will be able to meet the deadlines for repayment of this loan. These are the sorts of questions that would have come up at a financial impact assessment at an NFC meeting, and this is exactly why

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the PNB long ago voted to make such a financial impact assessment a policy.

KPFT has started to present its budget to the NFC. They are proposing a unilateral lowering of their 17% "Central Services" levy to 12%. In discussions at last night's NFC meeting more than one thought was aired for changing how the "Central Services" fees are calculated. One idea was to base the fees on the previous year's expenses. This would impact WBAI terribly. And any station suddenly having large expenses one year would get clobbered with a big "Central Services" fee the next year. The NFC will be taking this issue up at it's next meeting.

The local Finance Committee met on August 6, 2014, and September 3, 2013. The General Manager reported that the National Office has authorized him to negotiate with the Empire State Building regarding the rent there. A move to 4 Times Square is still being talked about. He says that he's hoping now to move WBAI to a new studio at 388 Atlantic Ave. by January 2015.

The committee has experienced significant frustration with the mix of accrual and cash in the financial reports, and with the obvious errors on them. The committee was to have begun working on the WBAI FY15 budget at the last meeting, but there were disagreements and the General Manager left the meeting early. There is another meeting scheduled for September 15.

The NFC will meet next on September 16, and 18, as well as having its regular meeting on September 23. There may be additional meetings scheduled. The local Finance Committee will meet on September 15.

R. Paul Martin
WBAI LSB Treasurer