

WBAI Treasurer's Report
January 14, 2015

The National Finance Committee (NFC) met on January 5, 2015. That meeting date had been chosen at the December 9, 2014, NFC meeting because the CFO had said he could produce financial statements for the NFC by then. The January 5, meeting had been called primarily to discuss how the magnitude of past bills will affect the ability of the stations to make their FY15 budgets work. Unfortunately, the CFO did not have any financial documents for the NFC to look at on January 5.

The NFC was told that the California Attorney General's office has informed Pacifica Foundation Radio that it will be conducting an audit of the organization due to some complaints it has received. There is a list of 23 sets of documents, which includes the minutes of the PNB meetings and all of the committee meetings from January 1, 2010, to the end of 2014. The CFO said that the Attorney General's office is saying that some of Pacifica's 990 filings are incomplete, but the CFO is sending them a letter disputing this.

The CFO told the NFC that the National Office is not getting the Central Services payments it needs and that this is jeopardizing the National Office's ability to pay for the FY13 audit. The CFO said that the audit, which had been forecast to cost about \$50,000 is now looking like it will cost about \$90,000. A partial payment has been made to the auditing firm, Armanino LLP, but Pacifica needs to pay them about \$65,000 for this audit by the end of January. The National Office is looking to get that money from Central Services payments from the stations. The National Office is also behind on its bills and is relying on affiliates revenue and SCA income to keep going day to day.

The cash flow situation in all of Pacifica seems to be worse than ever. **Since we only have verbal reports and no written financial statements it is impossible to be precise in terms of the magnitude of the cash flow crisis.**

I spoke to WBAI General Manager Berthold Reimers on the day of the NFC meeting and he told me that WBAI was three months in arrears with the rent for the Empire State Building (ESB) but that he was hoping to pay one month's rent, at \$12,000 a month, later that week. I reported this to the NFC. I also reported that WBAI had pitched a hypnosis premium in late November and early December in order to make up the \$84,000 shortfall in the tally for the Fall on-air fund raiser. I have heard that the hypnosis premium largely made up for that shortfall. I do not have any details about this because we have not been able to get financial reports from WBAI or Pacifica Management. I also reported to the NFC that WBAI reduced its budgeted nine day on-air fund raiser for December to a one day on-air fund raiser. The CFO said that he hadn't known about the December on-air fund raiser being cut back. The CFO also discussed WBAI's chronic cash flow problem and said that the station is having trouble catching up to its obligation to send out premiums that have been paid for; in addition, he said, every on-air fund raiser adds more premiums that have to be obtained and shipped out. The CFO said that WBAI had gotten a couple of grants worth about \$25,000 that the General Manager was setting aside for a studio build-out. The CFO said he'd advised the General Manager that if the grants are not restricted to a build-out that he should make payments to the ESB and other obligations. The CFO noted that the build-out was not budgeted. The CFO said that the WBAI General Manager thinks that the

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station will get a cash influx in one to two months.

I told the NFC that a big problem is that the local Finance Committee has not been given any financial statements from the General Manager or the CFO. Without these we are trying to ascertain the station's financial situation in the dark. **The lack of solid financial information is just as big a crisis as the cash flow problem because without details we can't come to grips with the cash flow problem and discover ways to try to solve it.**

The NFC passed the following **Motion as amended**: "The National Finance Committee recommends the Pacifica National Board pass the following resolutions regarding WBAI:

The interim Executive Director shall require the WBAI General Manager to attend the next meeting of both the WBAI Finance Committee and Local Station Board to give a First Quarter Financial Report.

For the next six months, WBAI Management shall require approval from either Pacifica's CFO or interim Executive Director prior to making any disbursement greater than \$500 other than for rent, utilities, payroll and other regular, recurring expenses.

The PNB directs WBAI Management and LSB to prepare within 45 days a recommended contingency plan to the PNB in the event that the station's deficits cannot be stabilized."

I made an amendment to raise that \$500 figure to \$2,000, but that failed by a vote of 1 for, seven against and one abstention. It is worthy of note that the final paragraph above originally read, "The PNB directs management at WBAI and Pacifica to prepare a plan for winding down operations at WBAI in the event that the station's deficits cannot be stabilized. The plan shall forecast the expense of contractually-required severances and lease and contract terminations." I made an amendment to strike that paragraph, but another NFC member made an amendment to change that paragraph to the one in the motion as passed above, so, given the vote on my previous amendment, I withdrew my amendment to strike.

The NFC made motions regarding the finances of other stations and the Pacifica Radio Archives, but none of them were as severe as the one about WBAI.

I do not know if the above motion has been considered by the PNB yet.

My questions as LSB Treasurer to the General Manager regarding the expenses and revenues from the recent community events fund raisers, as well as questions about some other details related to them, have gone unanswered. We're supposed to know about these details before the events are held, and that is not happening at WBAI.

As related in last month's Treasurer's Report I have been trying to get the General Manager to send me a list of dates when he can make a local Finance Committee meeting and bring us some financial details. I reminded him of this in our January 5, phone conversation. I

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still have not gotten any replies from him regarding when he can meet with the local Finance Committee.

The next meeting of the NFC is set for January 27, 2015.

The general financial crisis in all of Pacifica continues to worsen. Without financial statements no one in governance can tell precisely how bad the situation is, however, it is obvious that **Pacifica is at least illiquid, and is arguably insolvent, at this time.** WBAI is six figures in the red, and has been for quite a while. I have seen no indication that this situation has improved since the last Treasurer's Report. Other struggling stations and the National Office are being tasked with lending WBAI money, which may or may not be paid back. As can be seen from the deleted original paragraph from the motion above, some in Pacifica want to take actions detrimental to the survival of WBAI. It is possible that those actions may only be forestalled by a million dollars from a bequest arriving at WBAI, or by the collapse of Pacifica. Things look extremely bad for all of Pacifica right now.

R. Paul Martin
WBAI LSB Treasurer