

WBAI Treasurer's Report
February 10, 2016

The National Finance Committee (NFC) met on January 19, and February 9, 2016. The WBAI local Finance Committee met on February 3, 2016.

At the January 19, 2016, NFC meeting the CFO reported that the FY14 audit was under way. The auditors have assembled their whole team, and the CFO has given them a lot of information. He said that the auditors are asking the right questions. The CFO pointed out that the letter to Management that the auditors gave for the FY13 audit, showed deficiencies in accounting and process. The CFO said that the audits for FY14 and FY15 have to be taken care of.

The CFO said that he's drawing up a very ambitious timeline, but the FY15 audit is delayed. He said that the FY14 audit should take at least a couple of months to finalize, and he expects to get the FY14 audit done by March. He wants to start the FY15 audit then to get it done by the end of June. He said that rapid actions are needed. He noted that WBAI and WPFW both don't have Business Managers, and they are lagging behind in their accounting. He said that it was inefficient doing those station's accounting at Houston. His plan of action is to bring those stations' books to the National Office, get them cleaned and prepare them for the audit. He said that he's finding that it will be hard for the stations to hire someone who can get the audit done in time. He noted that if Pacifica can't get the FY15 audit done by end of June we lose CPB grant money again. A second problem is that Pacifica has to file its IRS 990 forms. He said that filing the IRS 990 forms is getting significantly delayed. He said that there is a 1½ month extension after the due date, but we'll go over that extension if the FY15 audit is not done by June 30, 2016. He's of the opinion that the National Office knows how to get it all into the Great Plains software. He said that he's not interested in keeping the books at the National Office he just wants to make sure that the proper processes and procedures are in place before hiring Business Managers. The CFO also said that MEMSYS reconciliation is troubling because it opens the door to manipulation or outright fraud.

The CFO said that he is not in favor of using the Quickbooks software, he wants to discontinue the use of Quickbooks. He said that once the National Office has a good handle on WBAI's accounting process they can find someone skilled in the Great Plains software and then Pacifica can have only one basis for accounting.

The CFO also said that Pacifica relies on Listener Support too much, which he said is not efficient for the long term. He said he wanted to make some proposals in an executive session.

On January 15, 2016, Gary Null & Associates, Inc. Filed a lawsuit in the United States District Court, Eastern District of New York, Civil Action No. 1:16-CV-241 naming as defendants Pacifica Foundation, Inc., Berthold Reimers, Lydia Brazon, John Gladney Profitt, Margy Wilkinson and Mitchel Cohen. The suit alleges copyright and trademark infringement.

Pacifica's insurance that deals with lawsuits has a \$250,000 deductible.

At the February 3, 2016, local Finance Committee meeting the WBAI General Manager reported to the committee that former WBAI interim Program Director Tony Bates had been

(MORE)

hired as a consultant for \$2,500 to run the December on-air fund raiser, and that a similar arrangement had been set up for the same amount of money for premium contributions to the current WBAI Winter on-air fund raiser. The \$2,500 includes air fare to and from Los Angeles and accommodations for the three weeks that he lives in New York City to do this job. The General Manager was pleased with Mr. Bates' performance.

At this local Finance Committee meeting the General Manager said that he was already planning a one week extension to the current on-air fund raiser.

The General Manager told the committee that WBAI had been about \$6,000 short of the money needed to make the February 1, 2016, payroll. So that had to be borrowed from elsewhere in Pacifica. On that date WBAI owed the Empire State Building (ESB) for two months of tower rent at \$12,000 per month. He said that WBAI had paid the National Office about \$50,000 in November and December for some back Central Services fees and other expenses, and that WBAI is now about two months behind on Central Services payments. He said that the station has been behind on those payments by two months for the past six months. He said that WBAI's \$31,000 debt to WPFW had been partially paid and the debt is now down to \$7,000. He said that WBAI is doing a number of off-air fund raising events. The General Manager told the local Finance Committee that a recent Gary Null retreat that was a fund raiser for WBAI had grossed about \$200,000 but that WBAI's net from that event was only about \$6,000. Committee members were concerned about WBAI only getting what amounted to 3% of the overall gross as a contribution after having contributed on-air publicity for this event. There were questions regarding the conformity of this arrangement to the charity laws of New York.

The General Manager told the local Finance Committee that there were problems with getting producers to comply with the rules and laws related to not-for-profit fund raising events held in the first floor space at 388 Atlantic Ave. He said that some producers are going to the landlord at 388 Atlantic Ave. first to arrange an event instead of going to WBAI Management first.

The General Manager told the committee that WBAI's insurance covers all of the off-air fund raising events without an extra charge. The station just has to fill out a form giving the details of the event.

In response to a request, the General Manager gave the following summary of recent off-air fund raising events:

Event	Donation to WBAI	Date of Event
Gary Null event at church	\$10,472	October 9, 2015
Gary Null at the New School	\$18,050	December 11, 2015
<i>Everything Old is New Again</i>	\$2,570	December 17, 2015
TOTAL	\$31,092	

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The General Manager told the committee that WBAI's monthly expenses are about \$128,000. He gave a written report which showed that the station's indebtedness as of February 3, 2016, was about \$956,000, which figure does not include unpaid Central Services fees owed to Pacifica, some of which go back years.

In January the National Office put out a Profit & Loss (P&L) statement for the first quarter of FY16. Overall this P&L statement shows Pacifica with a surplus of \$468,611. It shows WBAI with a deficit of \$48,118. This figure includes a revenue of \$70,000 from a bequest.

This P&L shows the tower rent to ESB as being \$144,142. WBAI has been paying \$12,000 a month for the tower rent. So it appears that the accrual of that expense amounts to \$108,142.

At the February 9, 2016 NFC meeting the CFO reported that the next payroll is due on February 15, 2016, but because that day is a national holiday, Presidents' Day, the National Office needs to cut the checks on February 12, 2016. There is a cash flow problem. The CFO said that some stations regularly have a problem meeting the deadline to get their payroll money into the National Office for transfer to the payroll processing company. He said that he doesn't want to follow the practice of stations borrowing money from other stations. He wants LSBs to talk to their General Managers and let them know that meeting those payroll deadlines is critical. He said that recently Pacifica had to borrow \$90,000 from a bank in order to make payroll. He said that Pacifica does not have a line of credit and that the bank had made an extraordinary accommodation for Pacifica, had it not done so all of the Pacifica payrolls would have failed to be paid on time.

The CFO also told the NFC that the PNB passed a resolution that the CFO should be on all bank accounts. He said that right now he can't see how funds are being managed and if any station's accounting is proper or not, and he can't tell if timely action is required. He said that this is one of the deficiencies that was pointed out by the auditors. He said that he will be pushing this issue hard because it's important for good accounting and control.

The CFO also said that PNB action may be required to deal with cash flow concerns in Pacifica. He said that he plans to discuss that at a later time with the auditors once he can view the details of all of the bank accounts in Pacifica.

During a discussion of the CFO's report at this NFC meeting it came out that last month the PNB had passed a motion that all of the Pacifica bank accounts would be consolidated. Each station or other unit would have a separate account, but they would all be in the same bank, and the CFO would more easily be able to view them and, if necessary, make transfers that way.

Pacifica is now five months into FY16. WBAI's FY16 budget has not been approved yet, and the last draft FY16 budget proposal was sent out by the General Manager on December 14, 2015. The NFC Chair, who is also the PNB Treasurer, has asked that the WBAI Treasurer, the WBAI General Manager and the CFO discuss a new version of that draft budget proposal which can be sent to the NFC by its next meeting on February 23, 2016.

The WBAI Winter 2016, on-air fund raiser began on February 1, 2016, and was advertised as lasting for 28 days. As noted earlier the General Manager is planning an additional

(MORE)

week for this on-air fund raiser. In the December 14, 2015, draft budget proposal this on-air fund raiser is listed as lasting for 37 days. The overall goal for this on-air fund raiser is budgeted as a tally of \$460,000. The daily tally goal is \$12,432.

From information put out by WBAI Management the Winter on-air fund raiser has raised a tally of \$75,050 after eight days of pitching, which is an average of about \$9,381 a day. This means that so far WBAI is missing its daily goal by an average of \$3,051 a day.

The Fall and December on-air fund raisers missed their tally goals by a combined amount of about \$125,000. The Winter 2016, on-air fund raiser is doing better on a daily basis than those two on-air fund raisers, but it is still missing its tally goals, so far. WBAI cut most of its Paid Staff in 2013. There isn't really more that can be cut to lower expenses now. The station needs to increase its revenue if it is to become self sustaining. While it is good that the off-air fund raiser events are raising some money, that revenue is not of sufficient magnitude to offset the deficiencies of the on-air fund raisers. While large donation premiums are raising most of the money in the on-air fund raiser, it is thought by many, including me, that the nature of some of the premiums puts off WBAI's regular listeners, which can have a long term negative impact on WBAI's listenership.

I have been informed that KPFK has lost its first round of arbitrations. The arbitrator has ruled that KPFK must pay the seniority pay that it has owed 18 of that station's Paid Staff for some time. There are other grievances pending for arbitration. KPFK could potentially have a very large bill to pay should it lose many more of those arbitrations. That station would need help, possibly six figure help, from the rest of Pacifica in order to pay its bills. While all of the stations are in on-air fund raiser mode right now there is cash available, but a significant outlay for KPFK would have an impact on all of the stations later in FY16, and that would certainly make recovery from Pacifica's long term financial problems more difficult, or it might stop such a recovery all together.

Despite the National Office's P&L showing a surplus after the first quarter of FY16, Pacifica's finances are still very precarious. The foundation will need good luck and/or good Management to get through the current fiscal crises intact.

The next NFC meeting is set for February 23, 2016, and the next local Finance Committee meeting is set for March 3, 2016.

R. Paul Martin
WBAI LSB Treasurer