

WBAI Treasurer's Report  
March 9, 2016

The National Finance Committee (NFC) met on February 23, 2016. The WBAI local Finance Committee met on March 3, 2016.

At the February 23, 2016, NFC meeting the CFO reported that he had concerns about the WBAI and WPFW draft budgets. He said that he was not getting proper information about the two stations' current finances. He also said that both stations were very much behind in critical payments, and he couldn't say how valid the draft budgets for the stations were at that point. He said that both stations FY16 budgeted need to be drafted anew in light of the actuals.

Neither WPFW nor WBAI have had their draft FY16 budgets approved yet. FY16 began on October 1, 2015.

The CFO said that cash flow is major concern now, some stations can't even meet the National Office's payroll deadline and are critically behind on health care insurance payments, Central Services fees, and other expenses. The CFO said that because stations are getting behind, even if they have a good on-air fund raiser that revenue will be eaten up in 15-20 days by operating expenses. He said he doesn't know how the stations can rely on on-air fund raising to meet their expenses for the second and third months after the on-air fund raiser. He said that Listener Support can't be considered a dependable source of income due to the law of diminishing returns and listener fatigue prevailing throughout the network. He noted that some stations are in a kind of continuous on-air fund raising mode. The CFO said that he and Lydia Brazon have looked for alternative means of fund raising and that they would be discussing exploring alternative sources of funding with the General Managers. He said they would need participation and support from various sources to raise more revenue. He said he didn't fully understand some of the legal aspects related to such fund raising, but that he would talk about it at the next NFC meeting.

One of the alternative means of fund raising brought up by the CFO was underwriting. There was a vigorous discussion about underwriting for Pacifica at this NFC meeting. On the one hand all of Pacifica is in financial straits and needs more revenue, on the other hand there is an inherent danger in underwriters wanting to exercise some control over the radio stations' content. Later in this NFC meeting the WPFW General Manager said that he was looking at underwriting to bolster that station's revenue, and that he was meeting with a big underwriter the next day. Apparently he had not conferred with anyone else in Pacifica about this.

It should be noted that several years ago WBAI interim General Manager Robert Scott Adams brought a list of proposals to the WBAI LSB regarding alternatives to on-air fund raisers. One of these proposals was for getting underwriting for WBAI. After a discussion of this proposal the WBAI LSB voted unanimously to strike underwriting from the interim General Manager's list. It is very rare that *everyone* on the WBAI LSB agrees on a substantive issue.

The CFO said that the FY14 audit is progressing well, but that the National Office is running into a problem they hadn't anticipated because the auditing firm is asking for more information than anticipated; he said that the auditors have raised some concerns, including about WBAI's rental agreement obligations to the Empire State Building, but that Pacifica should be in pretty good shape. The CFO said he expected to have the FY14 audit done in the first or second

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week of March.

The CFO said that while the FY14 audit is progressing well, the amount of information being asked for by the auditors is overwhelming, and the Business Managers are very busy now. He said that because of the FY14 audit the National Office is so busy that they couldn't prepare the January income statements. He said that the National Office will try to catch up early in March, and that the financial statements will be sent to the stations.

The CFO said that Pacifica should not count on getting Corporation for Public Broadcasting (CPB) grants for four to six months because of the lateness of the audit. He said that meeting the short range cash needs for those four to six months would be a challenge.

It should be noted that Pacifica needs to have filed not only its FY14 audit but also its FY15 audit by June 30, 2016, in order to be in line for CPB grants.

The CFO said that he was concerned about WPFW because he's not getting financial information from that station, he doesn't know how funds are being managed at WPFW and he'd asked for a simple cash flow statement three to four weeks earlier but he had not gotten any replies. He asked Pacifica Management to follow up on this. The WPFW General Manager and a WPFW Director were on that NFC teleconference and said that they would see that the CFO got the information he'd asked for.

The CFO said that he'd gotten some financial information from WBAI, and that he now had access to all of WBAI's bank accounts. The CFO related various problems that he is encountering in trying to gain access to all of the various bank accounts in Pacifica.

The CFO's difficulties in getting accurate financial information reflect what some of us have been complaining about for years.

At this meeting the NFC voted to hold its regular meetings on the third Tuesday of each month. In the past the NFC has met on the second and fourth Tuesdays of each month, with extra meetings added as needed. The PNB Treasurer, who is Chair of the NFC, said that the committee would be able to get monthly statements on the third Tuesday, and that if more meetings were needed they could be scheduled.

The WBAI local Finance Committee met on March 3, 2016. About 2½ hours before the meeting the committee was informed by a member that the General Manager was recovering from pneumonia and would not be able to attend. As a result the local Finance Committee was not able to get any new financial information.

The local Finance Committee discussed the underwriting issue and the general concern that we are not getting enough financial information to make good recommendations. The Treasurer will be asking the National Office if they can help us to get some of the financial information that we've been asking for.

The WBAI Winter on-air fund raiser had been scheduled to run from February 1, to February 28, 2016. It was extended to March 6, 2016. From the daily tallies posted on-line by Management the final tally adds up to \$298,345. The goal of this on-air fund raiser was \$460,000. The on-air fund raiser came in at just under 65% of what the draft FY16 budget proposed as its goal. The daily tally goal was \$12,432 and the actual average daily tally was \$8,524. I am aware of one error in the tally, and I have to wonder if there are more, which would affect the bottom line of this on-air fund raiser.

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The draft FY16 budget projects a 78% fulfillment rate. At that rate the Winter on-air fund raiser would cause a shortfall in actual revenue of about \$126,000. The Fall and December on-air fund raisers also fell significantly short of their goals.

WBAI continues to fall short in its fund raising efforts. There have been some successful off-air fund raisers, but the amounts raised have been nowhere near comparable to the shortfalls of the on-air fund raisers.

All of Pacifica is having cash flow problems, and WBAI has sometimes had to rely on the rest of Pacifica to help out with things like payroll and health insurance payments in the past.

Even the CFO is having problems getting a handle on what's really happening with the finances of Pacifica and the individual stations.

With the above as context some are proposing underwriting as the salvation of Pacifica. But making underwriting a part of the Pacifica fund raising model is fraught with problems.

The old adage, "Who pays the piper calls the tune," certainly applies. Businesses or other entities that would underwrite Pacifica programming would be in a position to greatly affect the finances of individual stations and the entire Pacifica network. It's one thing to declare that Pacifica will never allow underwriters to affect programming, but if it comes down to making payroll or not the temptation to alter programming to please an underwriter would exist.

There is also the issue of the legalities related to underwriting. Given the illegal actions and inactions seen over the years by Pacifica Management and governance I don't have a lot of confidence that all of Pacifica could thread the legal needle of compliance that would be required to stay out of trouble with the various federal, state and local agencies to which Pacifica and the individual stations answer to.

This debate has gone beyond the NFC and the PNB and others have raised the question of whether or not Pacifica and its stations could even get businesses to underwrite the stations' operations, given the low listenership of most of the stations.

When a business can't meet its expenses with its revenues it needs to either upgrade its product or market a different product. The Pacifica radio stations have one product, and that is the air. The stations must improve their air if they are to attract the number of listeners necessary to support them. Looking for off-air revenue streams to support radio operations that have a low and falling listenership does not seem like a simple solution to Pacifica's financial problems to me. If it seems like a winning strategy to anyone else I'd like to see the numbers that would support such a strategy.

The next NFC meeting is set for March 15, 2015, and the next local Finance Committee meeting is set for April 7, 2016.

R. Paul Martin  
WBAI LSB Treasurer