

WBAI Treasurer's Report
June 8, 2016

The National Finance Committee (NFC) met on April 19, May 4, May 17, and May 31, 2016. The local Finance Committee has not met because the General Manager has not responded to requests to meet with the committee.

At the April 19, 2016, NFC meeting the CFO reported that the National Office was almost getting to the end of the FY14 audit; they have provided the majority of the information that the auditors have asked for, but there are some outstanding issues. These issues are mostly procedures done by the auditors, they include interviews with the General Managers which had not yet completed on April 19. The CFO said that a big outstanding issue is that the auditors have requested an assessment by Management of the cash flow, which is related to the going concern issue. The CFO said that he is working closely with the stations to get documentation for the cash flow. In the case of WPFW and WBAI he's asking for a recovery plan. The CFO hopes that the auditors will drop the going concern issue if he can show a solid cash flow projection.

The CFO said that he wanted to get the FY15 audit started, but he's finding that the books are deficient in many respects. He said he was surprised that in the past the National Office only gave income statements but no balance sheets or cash flows to the NFC. This is a complaint that some of us on both the local and national level have made for years.

The National Office has prepared detailed checklists and sent them out to the stations and is giving guidance on how to complete their books for FY15.

The CFO said that all of the stations are having some cash shortfall and were looking for their May on-air fund raisers for cash. Some stations are not able to pay their Central Services fees and health insurance premiums and that's impacting the National Office badly, making payroll is another problem. The CFO said that this can't continue for long. He said that WBAI and WPFW are behind in terms of Central Services payments, and they also can't meet their day to day obligations. He said we have to look at increasing our revenue, but that we are coming to a saturation point with on-air fund raisers and Listener Support. The CFO has started a process of making the station General Managers do presentations so that it can be seen what's working and what's not and how to adopt the best practices and make the on-air fund raisers more effective.

During this meeting it was noted that for FY11 through FY14 the consolidated Listener Support for Pacifica averaged about \$10.5 million, but for FY15 it was about \$8.75 million. This is important because **WBAI frequently needs to rely on help from the other Pacifica stations in order to make ends meet, and the less money there is in Pacifica the less likely it is that there will be enough extra somewhere to help WBAI.** The CFO wants to hire a National Development Consultant who can head a coordinated effort by the National Office to approach foundations that are not dependent on audits, and which can provide Major Donor revenue support.

At this meeting the CFO said that the total audit fee it will be \$100,000 to \$125,000 and the outstanding amount is \$75,000.

At this meeting **the CFO said that the Pacifica leadership team had reached unanimous agreement on underwriting.**

The NFC passed the following motion: "The NFC recommends that the PNB direct the

(MORE)

interim Executive Director to compile organizational charts from all units that list titles, principal responsibilities and FTEs of all consultants and employees. and that a report of any overtime being generated be prepared and submitted by May 16, 2016.” (Passed without objection)

At this NFC meeting the topic of advertising was raised. The following motion was passed, “The NFC recommends that the PNB direct all General Managers to provide a report, by July 5, 2016, on all attempts at advertising over the past 5 years including types, costs, and any known results.” (Passed without objection).

The May 4, 2016, NFC meeting was devoted to a review of KPFT’s finances.

At the May 17, 2016, NFC meeting the CFO said that he expected the FY14 audit to be completed in a week to 10 days. The \$75,000 that’s outstanding for the FY14 audit is still an issue because the auditors will not begin the FY15 audit until they have been paid in full for the FY14 audit.

The CFO was very concerned about the cash flow crisis in Pacifica. He said that for the May 15, payroll WBAI, WPFW and the Pacifica Radio Archives (PRA) had failed to meet the deadline for getting their payroll money in to the National Office. WBAI Paid Staff were paid four days late. WBAI has had trouble making payroll, and has not been paying Central Services fees and health insurance premiums. This impacts the National Office, which relies on Central Services fees to pay bills and which also has to pay the health insurance premiums so that the WBAI Paid Staff’s health insurance doesn’t get cut off.

The CFO’s biggest concern is that stations are in their on-air fund raisers and they may get short term relief from their cash flow problems because of that revenue, but this problem will come back in a much bigger way in late June or early July when the funds run out. The CFO is calling for decisive and bold Management action to turn WBAI and WPFW around. Among the short term initiative proposals the PNB has approved are, calling lapsed donors, having WBAI’s interim Development Director devote 100% of her time to business development activities, and ask for managerial/technical help from other stations to run WBAI’s operations more productively. **The PNB is directing stations which have failed to meet their payroll commitment (which includes WBAI) to review their programming and make appropriate changes to increase Listener Support within three months.**

The CFO said that he’s in the process of moving the accounting for WBAI and WPFW to the National Office, and that there is a lot of work to be done with respect to those stations’ accounting.

The NFC approved the following FY17 budget time line:

FY17 Budget Timeline

	Deadline	Who Initiates	Action
A	May 31, 2016	CFO	Meet with treasurers to outline budget development process and paperwork submission. Call for budget Priorities to be discussed

(MORE)

			in various venues.
B	June 15, 2016	Local Finance Committees/LSBs, in consultation with General Managers/Business Managers.	Identify and rank budget priorities in order of importance: Scale of 1-5 where 5 is high. NFC completes its recommendation on Central Services formula for the upcoming fiscal year.
C	June 30, 2016	GENERAL MANAGERS/BUSINESS MANAGERS, in consultation with LSBs/Local Finance Committees, ED, and CFO	Generate Draft Station Budgets and submit to CFO.
D	July 15, 2016	CFO	Compile and Distribute Draft Network Budget to LSBs and NFC for review.
E	July 31, 2016	LSBs NFC	Review Draft Station budgets (LSBs) --Approve As-Is or with amendments. National Office budget(NFC) --Approve As-Is or with amendments.
F	August 7, 2016	CFO	Compile and Distribute Final Budget Proposal to NFC for approval.
G	August 31, 2016	CFO	Review Final Network Budget Make recommendations for PNB adoption.
H	September 7, 2016	CFO	Distribute Final Budget Proposal to Board.
I	September 30, 2016	PNB	Adopt Budget for fiscal year beginning October 1.

It should be noted that Item A has not been done yet and, at WBAI, item B looks very unlikely to be done on time.

Before this NFC meeting the CFO had sent the committee a Consolidated Income Statement through March 31, 2016. It showed all of Pacifica with a deficit of \$21,320 and WBAI with a deficit of \$250,178. Again, it must be noted that a significant amount of WBAI's deficit is the result of the accrued difference between the Empire State Building (ESB) rent and the \$12,000 a month that WBAI is actually paying. There is a discrepancy regarding the ESB rent between the CFO's figures and the figures that were given to the local Finance Committee by the WBAI General Manager for some months. The CFO thinks that the ESB rent is about \$48,000 a month and the WBAI General Manager has told the local Finance Committee that it's about \$55,000 a month. The General Manager's figure has been a part of the draft FY16 budget. The CFO says that he is going

(MORE)

to reconcile this difference. WBAI's figures are worse for the first six months of FY16 than they had been for previous years. At this NFC meeting concerns were raised about WBAI's revenue shortfalls.

The NFC passed a the following motion: "To have a special executive session meeting on May 31, 2016, at 9:30 PM (ET) to discuss recommendations regarding WPFW and WBAI that would impact individual employees or would involve proprietary information." (Passed without objection)

Before the May 31, 2016, open session NFC meeting the CFO had sent the committee a Consolidated Income Statement through April 30, 2016. It showed all of Pacifica with a deficit of \$550,984 and WBAI with a deficit of \$352,158. Only KPFK and the National Office were in the black, all of the other stations and the PRA were in the red.

This NFC meeting was as special meeting to review KPFK's finances, but I moved to put a CFO's Report on the agenda to hear about **why Pacifica's overall deficit had increased by about \$530,000 in 30 days, and why WBAI's deficit had increased by about \$100,000 in the same time.**

The CFO said that there were no on-air fund raisers in April, and so all of the stations were cash poor, but he acknowledged that the financial situation was very bad compared to past trends. He said that the income shortfall has to be addressed quickly.

The executive session meeting was mostly confidential, and the report out is, "The National Finance Committee met in executive session to discuss personnel issues related to individual employees."

The WBAI Spring 2016, on-air fund raiser ran for 35 days, from May 2, through June 5, 2016. The final tally from the information Management has given out comes to \$280,282 which is a daily average of about \$8,000 a day. The goal for this on-air fund raiser was \$460,000 with a daily average of \$12,432. So this on-air fund raiser came in at 60.9% of goal. The CFO has sent a document regarding WBAI's FY16 cash flow to the NFC. This document was prepared by the WBAI General Manager. It shows the goal of this Spring on-air fund raiser as \$470,000 and the daily goal as \$15,000. By these criteria the on-air fund raiser results were even lower than 60.9%.

With WBAI's monthly operating expenses averaging about \$152,000 for the first seven months of FY16, and with the General Manager's projected fulfillment rate of 78% resulting in a projected revenue of about \$360,000 **WBAI will go through the revenue from this on-air fund raiser in less than 2½ months.** And the revenue will take longer than that to actually come in.

There is a three week Summer on-air fund raiser scheduled for July. WBAI will have already pitched more than 121 days by then. Donor fatigue may have an effect on the July on-air fund raiser. It should be noted that WBAI also pitches at various times when there is no official on-air fund raiser going on, so the number of official pitching days does not actually reflect the number of days on which a listener may hear pitching.

(MORE)

The WBAI General Manager has not met with the local Finance Committee since February 3, 2016. I have been sending him E-mails, and leaving voice mails for him, when his voice mail isn't full, asking for dates when he could meet with the local Finance Committee, but I have not gotten any useful replies. The FY17 budget needs to be worked on, and if the General Manager doesn't come to the local Finance Committee with a budget, and cooperate with the committee then I do not know what may happen.

WBAI never had an approved budget for FY16. Exactly how the General Manager is running the station without a budget is an open question. WBAI needs for the General Manager to engage the local Finance Committee so we can at least try to plan together for the future of WBAI.

The odds of the FY15 audit being completed in time for Pacifica stations to receive any CPB grant revenue are close to zero. Pacifica has been not getting its required audits done on time for years, and for those years there has been no CPB money for Pacifica. This represents a cumulative loss of millions of dollars to the stations. That unfortunate tradition will probably continue for FY17.

Pacifica is probably going to have a six figure deficit for all of the stations even with the revenue coming in from the on-air fund raisers. This is important because other stations may need help themselves instead of being able to financially help WBAI pretty soon. If all of the stations are in the red for any length of time this increases the possibility that a creditor could push Pacifica into bankruptcy. **There is an organization calling itself the KPFA Foundation that has the stated purpose, according to one of its principals, of capturing the assets of the Pacifica Foundation should Pacifica fail financially. Some of those people are in important positions within the Pacifica Foundation at this time.**

The next NFC meeting is scheduled for June 21, 2016. We are still trying to set up a local Finance Committee meeting.

R. Paul Martin
WBAI LSB Treasurer