

WBAI Treasurer's Report
July 13, 2016

The National Finance Committee (NFC) met on June 21 and July 6, 2016. The local Finance Committee met on July 7, 2016.

At the June 21, 2016, NFC meeting the CFO presented the committee with a written report, a copy of which is appended to the end of this Treasurer's Report. In addition to that written report the CFO also said that the auditors have apprised the General Managers of the "deficiencies" they have found in examining the stations' finances. The auditors have also asked for updates on Pacifica's legal issues. The CFO said that the audits should be completed soon. In the CFO's written report where he says, that, "FY 15 audit can-not commence until old dues are cleared," he is talking about the \$67,566.93 in fees that Pacifica owes for this audit. The CFO said that if the National Office could come up with about 50% of the auditors' fees he would try to negotiate with them, but the National Office does not have that amount of money available.

Note: the FY14 audit was due on June 30, 2015. The FY15 audit was due on June 30, 2016. Pacifica can't become eligible for CPB grants, and many other grants, until after that FY15 audit is filed. Given how late the FY15 audit will probably be there may not be much that Pacifica can get from the CPB this funding year as a result of that audit. The State of California, where Pacifica is registered, requires that the audits be produced on time. Pacifica is in violation of that regulation, as it has been for years.

I will point out that regarding the cash flow in his written report the CFO made the following points about WBAI:

- A. "Cash flow is expected to be very tight from July onwards. It is doubtful if the station will be able to make its payroll or other essential services
- B. "Station has been lurching from one fund drive to another fund drive, catching up with bills as the money comes in and again becomes delinquent when the money runs out
- C. "No credible strategy has been formulated for last several years to stem this crisis."

The CFO also said that WBAI's finances are in such bad shape that by the time the revenue from the recent on-air fund raiser is realized the station will already be behind again. He clarified that when he mentioned the lack of a plan he was talking about the lack of a plan from the interim Executive Director and General Managers. **The CFO said that there was no surplus at any station.**

The CFO said that he is in the process of getting access to and becoming a signatory on all of the bank accounts in Pacifica. The CFO said that as of June 1, the books from WBAI, and WPFW, were at the National Office. He said that the situation with those books is very bad, with processes and procedures missing.

According to the Income Statement for the eight months ending May 31, 2016, the consolidated deficit for Pacifica is about \$294,000; WBAI is showing a deficit of about \$374,000

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during that period.

Note: this \$374,000 figure includes the accrued rent to the Empire State Building (ESB). The CFO lists this expense as being about \$48,000 a month, which is up from his previous estimate of about \$43,000 a month but still less than the WBAI General Manager's figure of about \$55,000 a month. WBAI is only paying \$12,000 a month to the ESB, and as a result the station's deficit is really under \$100,000 at this time.

At this NFC meeting the following motions were passed:

Motion: "That the NFC recommend that the PNB direct all local station boards and board members to immediately undertake fundraising efforts as follows: 1) seeking sustaining memberships without premiums."

Motion: "That the NFC recommend that the PNB direct all local station boards and board members to immediately undertake fundraising efforts as follows: 2) seeking people who might provide no-interest loans to the foundation to finance a fund-raising mailing by the National Office."

The July 6, 2016, NFC special meeting was devoted exclusively to the topic of fund raising. **All of the Pacifica stations are trending down in their finances in FY16.** Stations are pitching more days than they had been, which can diminish listenership. There was some agreement that even successful off-air fund raisers couldn't make up for the shortfalls in revenue from the on-air fund raisers.

The issue of advertising has been brought up in the past as a possible source of revenue for Pacifica stations. At this meeting we learned that the following motion passed by the NFC on April 19, 2016, **Motion:** "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," had not yet been considered by the PNB.

The NFC discussed doing some direct mailings by the National Office to augment revenue, and maybe get enough money to get the FY14 audit finished. The CFO said that Pacifica doesn't have the money needed to start doing mailings.

Underwriting for the affiliates was briefly discussed. The PNB had not endorsed the plan last year. This is still a controversial issue.

The NFC kicked around some ideas, the CFO said that the work load of the National Office Staff was stretched to the limit.

The following motion was passed. I am amazed that Pacifica Management and the General Managers have not been coordinating this sort of thing all along.

Motion: "The National Finance Committee Recommends that Pacifica's iED convene conference calls between station staff directly involved with organizing fund drives to identify and spread high-performing premiums and specials, best practices for pitching during fund drives, billing after fund drives, and fulfilling premiums after payment.

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These should be separate from the weekly 'leadership' calls, and focused exclusively on fund drives." That motion was passed without objection and was the only motion to come out of this meeting.

The WBAI local Finance Committee met on July 7, 2016. The General Manager told the committee that he expected WBAI to receive about \$24,400 in revenue for the first two weeks of July. He said that WBAI's expenses for the same period would amount to almost \$93,300, leaving the station with a deficit of almost \$68,900 by July 16.

The expenses the General Manager told us about include the call center, ESB rent, health insurance premiums, payroll and the phone bill.

The call center, which handles the calls during the on-air fund raisers, is owed more than \$27,000. The General Manager said that they will keep working for us through the upcoming Summer on-air fund raiser even though we owe them so much. He told the committee that the call center charges 78¢ a minute. He said that he plans to pay the call center \$6,000 to \$7,000 as a partial payment.

WBAI's on-air phones have been down since June 23. The reason is a bill for \$28,000 from Verizon that has not been paid. The General Manager said that the bill had gotten that high because Verizon had not been billing WBAI properly and had not sent WBAI some of the bills. He said that he had been negotiating with Verizon but that the station didn't have enough money to make a partial payment of the bill, and so the phones on that line were turned off. The General Manager said that he is doing many jobs at once and that he couldn't prevent the on-air phone lines being turned off. He said that there are work-arounds that allow the engineers to make and take calls by Skype. The General Manager said that WBAI has about 12 phone lines.

The General Manager said that the station would be paying more of its Central Services fees. He said that WBAI is currently only two to three months behind in its Central Services payments to both the National Office and the Pacifica Radio Archives. He told the committee that WBAI was up to date with its health premiums, except for July.

The General Manager said that WBAI is having to pay CCNY \$5,000 a month for the \$35,000 the station owes them for the seven months that we didn't pay our rent at CCNY before we left there a couple of years ago.

The General Manager said that not included in the expenses he'd presented to the committee were premiums for the upcoming on-air fund raiser, which he said would amount to less than \$40,000, and about \$8,000 which is owed to Gary Null for premiums. Later in the meeting he said that with postage the premiums expense would probably amount to about \$50,000.

The General Manager said that all premiums for the Spring and Summer on-air fund raisers are licensed.

In a discussion of a contingency plan for WBAI the General Manager said that he plans to reach out to Major Donors. In response to a question he said that in six months WBAI will still be here, and that he has taken control of the on-air fund raiser and of the evaluation of programming.

The General Manager said that between the call center and having volunteers answering

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the phones that the cost of each is within about \$2,000 of each other. He said that the call center doesn't present the problems with credit cards that the station had previously had with volunteers taking the calls. He said that with the non-credit card pledges the station can take the information the call center send us and send the bills out right away. He said that he'd like the local Finance Committee and the LSB to raise money for the station. He said that Management should do four to five events a year to raise money, reach out to Major Donors and rent lists for a mailing. He also brought up the idea of taking paid ads. The General Manager said that in the past there has been not enough Staff or time to reach out to Major Donors. He said that the station has gotten about \$24,000 from Major Donors so far this year. He said that no bequests were expected at this time.

The General Manager said that WBAI has about \$6,000 to \$7,000 cash in bank and that there were about \$4,000 in checks at 388 Atlantic Ave. currently awaiting deposit.

The General Manager said that he won't pay the health insurance premiums on time, but will reimburse the National Office for them out of the revenue from the Summer on-air fund raiser. He said that after the on-air fund raiser there will be some short pitching shifts here and there throughout the on-air schedule that he expects to raise \$25,000 to \$30,000.

The General Manager said that the station has just gotten 300 bags to send to the 'BAI Buddies (a 'BAI Bidy is a sustainer membership).

In a discussion of the audit and the CFO's statement that there were issues with processes and procedures the General Manager said that WBAI had borrowed \$30,000 from the landlord at 388 Atlantic Ave. and that the loan hadn't been booked correctly, and the auditors had asked him to reclassify that item. He said that the auditors had also flagged two donated checks that coincidentally had the same check number, and that there were no real issues.

The General Manager said that the WBAI draft FY17 audit would be done by the National Office, not by him.

There was a discussion of the financial documents that the local Finance Committee has been requesting from the General Manager for the past couple of years. I will send him the original E-mail where we made that request, and we'll see if we get compliance with it.

The major problem throughout Pacifica, and certainly at WBAI, is that the stations are not able to raise sufficient revenue from on-air pitching. In the past, stations, especially WBAI, have not been able to raise revenue of the magnitude that would be required to plug the current revenue gaps with off-air events. It does not seem realistic to me that this would be a solution to the revenue shortfall now.

It is being reported that KPFK has lost its arbitration regarding their cutting of Unionized Paid Staff's salaries. On the May 31, income Statement KPFK is listed as being the only Pacifica station with a surplus. It was listed as being about \$106,000. It is possible that when all of the labor issues at KPFK are settled that that station will be showing a significant deficit. This would make Pacifica's overall financial situation even worse. As I've mentioned before, WBAI has been borrowing money from other Pacifica stations, and the National Office, in order to make payroll and meet other expenses for years. If *every* station and unit of Pacifica is in deficit there will be no place to borrow money from. The CFO has described WBAI as having had so many

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cuts, the station is down to seven FTEs, that we are no longer rally productive, and we can't maintain our own books. After those cuts three years ago WBAI has not been able to raise as much revenue as it had, and the station hadn't been raising enough money to be self-sustaining before then. More cuts at other stations will probably have the same effect.

In past Treasurer's Reports I have described WBAI's situation, and Pacifica's, as dire. The financial situation looks worse than ever at this time. One member of the local Finance Committee asked at the most recent meeting, "How is this still gong on?" The answer may be that Pacifica and its stations endure through pure momentum at this time. But since all of Pacifica's financial indicators are trending downward this does not present a rosy picture.

I recommend that everyone read the appended CFO's report.

The next NFC teleconference meeting will be on July 19, and the next local Finance Committee meeting will be on August 4th, at WBAI's third floor space at 388 Atlantic Ave.

R. Paul Martin
WBAI LSB Treasurer

APPENDIX

CFO Report to the National Finance Committee Meeting – June 21, 2016

FY 14 Audit Fees Outstanding

1. As per E-mail received from the auditors, there is an outstanding balance of \$ 67,566.93 for FY 14 audit fees. This needs to be paid urgently for release of audited statements. Auditors are working with the Station Managers to update their Management letter and are in the last stages of finishing their audit.
 - a. Absence of audited statements are holding up negotiations with Empire State Building for WBAI tower rent
 - b. Statements are also critical for insurance renewal. Several demands have been made by Underwriters.
 - c. FY 15 audit can-not commence until old dues are cleared

Cash Flow Concerns:

1. WPFW
 - a. Station has been seriously behind in payment of Central Services. See Statement attached.
 - b. It has exhausted Restricted Grants (against the applicable laws) in payment of operating expenses and do not have any significant money left in this account
 - c. Station has adopted a deliberate strategy not to pay Central services to balance its cash flow. This is proving to be detrimental to the National Office finances
 - d. As per current cash flow situation, it is expected that they may run out of payroll money in July, unless they have some windfall gains

- e. YTD May, 2016 statements show a loss of \$ 244,135 which effectively represents the cash shortfall as the station did not have the money to pay its bills
- 2. WBAI
 - a. Cash flow is expected to be very tight from July onwards. It is doubtful if the station will be able to make its payroll or other essential services
 - b. Station has been lurching from one fund drive to another fund drive, catching up with bills as the money comes in and again becomes delinquent when the money runs out
 - c. No credible strategy has been formulated for last several years to stem this crisis
- 3. PRA
 - a. Operating model for PRA is broken. It is heavily dependent upon receiving Central Services from Stations which are themselves struggling to pay their bills.
 - b. Given right strategies, PRA operations can become self-sufficient and save considerable amount for other stations
- 4. KPFA
 - a. Station has given notice to Union that it is experiencing financial difficulties and layoffs are imminent
 - b. It is planning mini-drive which is not a good option
- 5. National Office
 - a. National Office finances have been affected very badly as several stations have failed to pay Central Services and health care dues. It is currently able to pay only those expenses which are "urgent and critical".
 - b. It is not finding any surplus money to pay for FY 14 audit fees
 - c. Payment for Election expenses has been put on hold
- 6. Management Readiness
 - a. Management is not ready to handle potential lay-offs at WBAI, WPFW and PRA, should they occur in July or later. As per bargaining agreements, advance notice needs to be sent to the Union. A plan has to be in place

Recommendations:

- 1. Focus must shift from cost cuts to revenue growth. We can-not cut our way into prosperity. In the absence of any tangible plan on the table how to grow the business, Foundation is forced into the default option of cost cuts.**
2. In line with Point 1 above, Finance Committee should consider, calling 3 special sessions to explore additional sources of Revenue and provide specific recommendations to PNB, which if approved, can be adopted network wide
3. WPFW should be put on a critical watch. The operations can be turned around but will require massive efforts. Management must make plans, and give advance notice to Union, as applicable, to handle potential lay-offs. Finance Committee can inform PNB of its concerns.
4. Finance Committee can approach PRA task force if they want to be actively engaged in turning around PRA operations. If so, they need to provide specific suggestions to the Finance Committee or PNB for consideration.