

WBAI Treasurer's Report
June 14, 2017

The National Finance Committee (NFC) met on May 2, and June 13, 2017. The local Finance Committee met on April 13, May 4, and June 8, 2017.

At the April 13, 2017, local Finance Committee meeting there was no quorum. The WBAI General Manager complained that the National Office was making mistakes in the Profit & Loss Statement, and they were carrying as payables bills that have already been paid. The General Manager also said that a collection agency lawyer had come to the station for payment of an Associated Press bill, and that bill was paid. He said that he would reduce the Verizon bill by about \$20,000. The General Manager lauded the use of *Quickbooks* and Volusion over the standard MEMSYS and *Great Plains* software which are standard in Pacifica.

There was again discussion of the local Finance Committee wanting to get more, standard financial documents from the General Manager two days before each local Finance Committee meeting. The General Manager said that he had been working with the National Office on this to get us that information. The General Manager said that WBAI had about \$16,000 cash in bank on that date. The General Manager said that the National Office was writing off some of WBAI's Central Services arrears.

There was concern raised regarding who would know about WBAI's finances if something happened to the General Manager.

The General Manager said that WBAI owes the Pacifica Radio Archives about \$42,000 in Central Services fees, and he said that the National Office was owed about \$79,000 in Central Services fees. He said that WBAI still owed WPFW \$19,000 which he is not paying, and the station still owes WHCR \$25,000.

At the May 2, 2017, NFC meeting Alex Steinberg was elected Chair, I was reelected Secretary.

At that meeting the CFO reported that the Audit committee would meet to select an auditing firm for the FY15 audit. He reported that Pacifica is prepping for the auditors, but that the process has been going slowly. The CFO said that WPFW and WBAI don't have Business Managers so they're getting help from the KPFT and KPFK Business Managers to complete their accounts and the National Office is helping out as much as possible. The CFO said it was encouraging to know that both stations are coming around nicely and should be able to wrap up their audit preparations in a reasonable time. He said that KPFT and KPFK are in reasonably good shape and that the National Office has gotten a lot of information from them; they have Business Managers and do audit requests. The CFO said that KPFA is the holdout, they've been extremely late in submitting everything for the audit. The CFO is in communication with them, he said that KPFA will definitely cause delays. The CFO said that the stations have to do their preparations and only then can the National Office prepare for the auditors. He said that he couldn't give a firm date for the FY15 audit yet. The CFO said that the other big bottleneck is the staffing issue at National Office. He said that it's difficult to hire skilled personnel because the National Office can't compete with others in terms of wages. He said that there is a backlog of work, and a lot of work has to be done before the audit can be started. The CFO said that he is

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getting help from the Business Managers and some part-time help at the National Office. He said that maybe by May 31, they could wrap it up. He said that the California Attorney General has given Pacifica till August 27, 2017, to complete the audits, which is a tight schedule.

The CFO said that to get the FY15 audit done a lot has to happen, and Pacifica has to change the culture of how the organization manages the whole process.

The CFO said that as of May 2, 2017, there was about \$555,000 outstanding for Central Services in the last 15 months or so. He said that WPFW, WBAI and KPFT have outstanding Central Services payments. He said that more than a third of the budgeted Central Services fees have not been paid, and we're seeing the results. He said that that's why Pacifica doesn't have the money to pay for critical services. He asked the NFC for help. He said that there are no consequences for non-payment of Central Services, and the National Office reminds stations, but it has no authoritative force behind it. The CFO said that stations are withholding payments and are balancing their books on the back of the National Office. The CFO called for an enforcing mechanism. He said that if a station is in difficulties they can ask for a waiver, but it should not be at the station's General Manager's discretion. The CFO said that even when the stations get money they don't pay their Central Services fees anyway. He said that the National Office needs a motion that stations are bound to make payments or they have to look at their business model.

The CFO said that the only thing that can work is holding the General Manager and Business Manager of a station responsible. Not all NFC members agreed with this approach.

At this NFC meeting a motion was passed calling for 36 hours of pitching at all of the stations during the Spring on-air fund raisers to be devoted to raising funds to meet National Office expenses.

At this meeting the NFC also passed a motion recommending that the PNB give the CFO direct managerial control of all Business Managers and accounting personnel for the next year, and that the CFO have the authority to apply disciplinary measures through the General Managers of the stations, including adjustments in salary, termination and awarding of bonuses based on performance of all accounting personnel under the CFO's charge. The motion also provided for the General Managers to provide timely financial information to the CFO or the General Managers may face disciplinary actions initiated by the CFO and approved by the ED if they fail to comply.

At this meeting the NFC voted to recommend to the PNB that it rescind the "SCA motion" that delayed the FY17 budgets.

At this meeting the NFC voted to meet on the second and fourth Tuesdays of every month starting in June.

At the May 4, 2017, local Finance Committee meeting the General Manager reported that WBAI had about \$7,700 cash in bank, and about \$5,276 cash on the WBAI premises. The General Manager said that he was catching up on paying bills, including paying for premiums for the then ongoing Spring on-air fund raiser. **He said that the National Office was not posting entries properly and that the FY14 audit may need to be adjusted.** He said that WBAI probably owes the Empire State Building (ESB) about \$2.1 million, and the station owes everyone else about \$200,000. This includes owing PRA about \$20,000 and seven months of National Office Central Services at \$16,890 a month. The General Manager said that all of the

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information about WBAI's finances that would be needed for the FY15 audit was already at the National Office.

In answer to a question the General Manager said that bills are paid in order of what keeps the station alive: office rent, ESB tower payments, phone, payroll and consultants. He said paying for premiums is also important.

In answer to a question the General Manager said that all premiums for the Spring on-air fund raiser are 100% licensed. He said that there were 1,494 premiums that had not been shipped at that time.

The General Manager outlined his working arrangement with the KPDK Business Manager. He said that he didn't know who was double checking figures at the National Office, but that he'd found a \$500 mistake in a Corporation for Public Broadcasting (CPB) form that had been filled out. He said that the CPB forms are asking harder questions this year.

There was a discussion about how a Gary Null retreat premium was being handled. The entire retreat premium is given for a \$2,500 donation. The General Manager said that the listeners send \$2,500 to Gary Null and Gary Null sends \$500 of that back to WBAI. The retreat expenses are \$2,000. The committee had a discussion about this and raised the issue of who gets the tax credit for the donation to WBAI from this retreat premium. Committee members suggested that WBAI get the \$2,500 donation and send Gary Null the \$2,000 retreat expenses; this way listener sponsors get their proper tax credits. It was suggested that the General Manager check with an attorney regarding how these premiums are handled.

I sent a memo to the interim Executive Director and CFO regarding the above. That memo is Item #1 in the appendix of this report.

The General Manager said that he would get the local Finance Committee a list of outstanding bills.

Questions were raised regarding the hiring of a marketing firm called "Yellow Magnet," which the General Manager said would market WBAI programs on social media. The General Manager said that they had been paid a \$10,000 retainer. He said that he hoped to triple the "BAI Buddy" sustainer program this way. The local Finance Committee was skeptical about this company and the plan. This subject was also included in the memo I sent to the interim Executive Director and CFO, which is Item #1 in the appendix. The General Manager said that he would bring the contract signed with "Yellow Magnet" at the next local Finance Committee meeting.

Questions were also raised regarding a financial premium from a representative of a company called "World Financial Group." To some local Finance Committee members the company's methods sounded like a multi-level marketing structure. Two committee members who are licensed financial professionals said that the premium was illegal because a paid employee of the company was pitching it on the air. The General Manager said he would stop the premium and get the committee more details on this at the next meeting. The committee also asked for the contract WBAI has with the "World financial Group." This issue is also included in the memo in Item #1 in the appendix of this report.

At the June 8, 2017, local Finance Committee meeting the General Manager did not show up. The committee looked at the Profit & Loss Statement For the Six Months Ending March 31,

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2017, from the National Office at this meeting. Discrepancies were noted on line 92 of that statement. The National Office is not using the right figures for WBAI's ESB rent.

The CFO had sent out a spreadsheet showing each station's situation with regard to Central Services payments. The CFO did not want me to tell the local Finance Committee the amount of WBAI's FY16-FY17 arrears on Central Services fees payments because a public discussion would be, "detrimental to the finances of the station and [would] not solve the problem."

The committee discussed the chronic problem of not being able to get full financial information from WBAI Management regarding the station's finances.

At the NFC meeting of June 13, 2017, the CFO reported that the FY15 audit is going well. He said that the auditors are satisfied with Pacifica's progress so far, they have been provided most of the information they needed. They have done sample testing with information from the stations. The CFO is meeting with the Business Managers every week to expedite the process.

The CFO again emphasized the need for radio stations to pay their Central Services fees. He said that the National Office has not gotten about \$850,000 in Central Services fees over the past two years. He said that every month about \$44,000 of Central Services fees are not paid due to three stations. He said that this is having a serious impact on the National Office finances. He again said that Pacifica doesn't have an enforcing mechanism for the mandated Central Services fee payments. He said that he wanted the NFC to consider making a motion about this.

He said that the recent on-air fund raiser to raise money for the audit got about \$200,000. This will be used for getting the FY15 audit. He said that Pacifica doesn't have the money, at this time, to pay for a FY16 audit.

I brought up the issue of the CFO not wanting the Central Services arrears of stations to be publicized. He reversed his previous statement and said that it was all right to do so. As of June 2, 2017, WBAI is \$168,900 in arrears on its Central Services payments due since October 1, 2015.

There should be transparency about the finances of WBAI, but the CFO said that a vendor had cancelled a contract with one station because the vendor came to doubt the credit worthiness of that station, due to financial information it had learned about. Transparency is not free of problems.

The CFO said that the lack of funds at the National Office also makes it hard to hire and retain people, and that the California Attorney General had noted that Pacifica has not only been delinquent in getting its audits done, but has not been timely in filing its 990 tax returns. This is all due to an under-funded National Office.

When I brought up the issue of the discrepancies which had been noted on line 92 (the ESB rent) of the Profit & Loss Statement For the Six Months Ending March 31, 2017, the CFO was surprised and said that it sounded like a serious mistake which will throw that month's income statement completely off. He said that he would revise that line.

The NFC passed a motion mandating each General Manager to make sure that the station they manage can generate enough revenue to pay the following three expenses each month, in full and on time: The staff payroll, Health care costs and the allocated Central Service Payment.

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There is a provision for disciplinary actions if a General Manager can't cover those three expenses. The question is whether this can work in Pacifica. A copy of the full motion is Item #2 in the appendix.

The NFC adjourned to an executive session meeting after this public session was over to discuss a legal matter of a confidential nature.

The WBAI Spring 2017, on-air fund raiser ran from May 2, 2017, to June 4, 2017, a total of 34 days. In the daily tally reports the final tally is given as \$338,695. This makes the daily tally about \$9,962. The WBAI FY17 budget calls for a daily tally of \$14,000 a day. The goal for the entire on-air fund raiser was \$434,000.

A complaint was lodged regarding two of the premiums used in the Spring on-air fund raiser. I have seen on a public mailing list an E-mail from the interim Executive Director to the effect that two WBAI premiums, the Zapper and the Orgonite premium were ordered removed from the air. These two premiums appear to have been responsible for the two best tally days of the Spring 2017, 'on-air fund raiser. The claims made for both premiums were dubious.

The aforementioned Profit & Loss Statement for the first half of FY17 shows WBAI with a deficit of \$131,472. It shows a Listener Support line of \$945,889 which appears to incorporate almost all of the revenue that the station received in those six months, except for a \$50 donation. As I've pointed out before, this lumping of all revenue into the Listener Support line is not good. It inflates the station's Listener Support and it masks how the station is doing on the other revenue lines. This makes it hard to make good financial decisions regarding revenue sources and can result in erroneous financial statements to various agencies that require accurate accountings of non-profit organizations' finances.

WBAI's and Pacifica's finances continue on a serious downtrend. The General Manager estimates WBAI's ESB debt at about \$2,100,000. The National Office is limping along. Pacifica and WBAI are very fragile financially right now. The major on-air fund raisers for 2017 are over, the Summer on-air fund raiser is generally less remunerative than the others are, and all of Pacifica has to get to FY18 before significant funds can be raised again. It all looks dire.

The next NFC meeting will be held on June 27, 2017, and will begin in executive session to consider legal and financial matters of a confidential nature. The next local Finance Committee meeting will be held on July 6, 2017, at WBAI, 388 Atlantic Ave, 3rd floor, Brooklyn, NY 11217. The public is invited to attend.

R. Paul Martin
WBAI LSB Treasurer

Appendix

Item #1

MEMORANDUM TO: Bill Crosier interim Executive Director, Sam Agarwal CFO,
WBAI LSB

FROM: R. Paul Martin, WBAI LSB Treasurer

DATE: May 9, 2017

RE: Some issues that have arisen as a result of discussions at a WBAI
local Finance Committee meeting

I'm writing to inform you about some questions and concerns that came up at the WBAI local Finance Committee meeting on May 4, 2017, which have caused committee members to be concerned.

The three issues are:

- The way payment for a premium is being handled
- Hiring of a marketing company
- WBAI offering a premium of questionable legality

The way payment for a premium is being handled

The local Finance Committee was told by WBAI General Manager Berthold Reimers that a retreat has been offered by Gary Null as a premium; the payment for the retreat is \$2,500, and that payment is being sent to Mr. Null, after which Mr. Null pays WBAI \$500, the other \$2,000 goes to pay for the actual retreat. Committee members raised questions about the legality of this way of handling the payment. They believe that the money must legally go to WBAI as the charity to which the payment is being made, and that WBAI should then pay Mr. Null the \$2,000. There is also a question regarding the issue of the tax deduction credit which the listener should receive. If the \$2,500 payment for the premium is paid to Mr. Null and he gives the \$500 to WBAI is Mr. Null getting the tax deduction or is the listener who's actually paying for the premium getting the tax deduction?

Hiring of a marketing company

At this local Finance Committee meeting the WBAI General Manager told us that the station had signed a contract with a marketing company named Yellow Magnet, which is supposed to promote WBAI programs on social media. Mr. Reimers said that the goal is to triple the BAI Buddy enrollment through the use of this marketing firm. One local Finance Committee member who has employed marketing firms said that tripling BAI Buddy enrollment is not the parameter that one would specify in a contract. Members questioned why this function wasn't something given to volunteers or a college to help with. The General Manager said that he is meeting with the Yellow Magnet representatives twice a week. There was also the question of what line of the FY17 budget this item came from. Mr. Reimers told the committee that currently the programs being promoted by the company on social media are the

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Katie Halper Show, Tall Tales in the Big City, Randy Credico - Live On The Fly and Global Black Experience /Global Beat.

Mr. Reimers said that WBAI had signed a contract with Yellow Magnet for a year and a half of this service, and had paid them a \$10,000 retainer three weeks ago. We were not told if there is more money owed to this firm during the duration of the contract.

Committee members asked how this company was hired, and if the job was put up for open bidding. Mr. Reimers said that there was no bidding for the contract, but that the agreement was reviewed by some WBAI Management personnel and some WBAI LSB members, none of whom were lawyers. Mr. Reimers said that he did not want to name anyone, but he later said that WBAI Producer Barika Edwards had brought the Yellow Magnet company to him. He said that he would bring a copy of the contract to the local Finance Committee at its next meeting on June 8, 2017.

Local Finance Committee members are concerned about the high price of this service and about the way in which this company was selected to do this work.

WBAI offering a premium of questionable legality

Also at this meeting the WBAI General Manager said that WBAI is offering a premium which consists of a one hour financial consultation with Loyan Mensah, who is a financial advisor associated with a company called World Financial Group, which appears to be associated with an international insurance company. Mr. Mensah has been personally pitching this premium on the air. The premium does not require the listener to pay anything, and Mr. Mensah or the World Financial Group pays WBAI \$100 for each listener who partakes of a financial consultation. Mr. Reimers said that this premium is provided at no cost to WBAI.

A local Finance Committee member who is a former insurance agent and a former WBAI Producer said that this activity is illegal, that insurance agents are not allowed to promote their services in this way. Another member who is involved in the financial industry said that the Financial Industry Regulatory Authority, Inc. (FINRA) would revoke the license of Mr. Mensah if they heard about this.

There was a question as to whether or not WBAI would be contingently liable for the representations and actions of this firm, since people would be introduced to them by WBAI.

During the meeting it came out that the General Manager's son, Yoan Reimers, works for the World Financial Group in Florida. This raised the question among committee members of whether there has been a violation of Pacifica's conflict of interest policy as stated in bylaws "Article Thirteen: Conflicts of Interest."

The committee told the WBAI General Manager that a lawyer should be consulted regarding this matter. The General Manager said that he would immediately stop the premium from being offered by Mr. Mensah until he heard from legal counsel.

The local Finance Committee members would like Pacifica Management to look into these issues to see if there is reason to be concerned about them, and to see if there are violations of the law involved and to determine if any of these issues could have a negative impact on WBAI or the Pacifica Foundation. There is also the question of whether any of the on-air issues could constitute an FCC violation.

I am also attaching an E-mail from Noel Jameson, a WBAI local Finance Committee member

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who works in the financial field and who is very concerned about what he learned at the May 4, 2017, meeting. I hope that Pacifica Management can straighten out any problems that are found with what has been done.

----- Forwarded Message -----

Subject: [wbailsbfinance]

Date: Sat, 6 May 2017 00:32:22 +0000 (UTC)

From: Nmj njameson@yahoo.com [wbailsbfinance] <wbailsbfinance@yahoogroups.com>

Reply-To: wbailsbfinance@yahoogroups.com

To: rpm@glib.com <rpm@glib.com>

CC: wbailsbfinance@yahoogroups.com

R. Paul,

As you are aware, at last night's Finance Committee meeting it was revealed by the general station manager, Mr. Berthold Reimers, that World Financial Group, Incorporated an affiliate of Aegon N.V., a multinational life insurance, pensions and asset management company headquartered in The Hague, Netherlands with revenues in the tens of billions has been an on air premium provider of financial services to our listenership and that the Mr. Reimer's son, Yoan Reimers, apparently works for World Financial Group, Incorporated. When Mr. Reimers was further questioned about the relationship and the nature of the WBAI's agreement with World Financial Group, Inc. the general manger's response was essentially that his son was in Florida (!?) Putting aside for a moment the issues of how this group was vetted and by whom, the appropriateness of them being allowed to ultimately market a multi level marketing product to our listenership and whether or not the Financial Institution Regulatory Authority (FINRA) has approved the relationship, approved the apparent rebates being offered and approved the script or content for the on air discussions it is apparent that the general station manager was either unaware of the obvious conflict of interest and possible breach of his fiduciary duties to Pacifica and WBAI or he did not care.....this is most troubling and has several possible legal implications for all involved!

It was further revealed that the general manager had apparently hired and paid a consulting firm, Yellow Magnet of New York, a \$10,000 retainer for social media, online fundraising and other marketing related consulting services. Per usual the station manager could not (and/or would not produce the contract) and could not sufficiently described the total compensation that was agreed to. This raises a number of questions including but not limited to was there an open bidding process for the services, who vetted this group, who drafted and reviewed the contract that was used, does any member of WBAI's staff or management benefit from this relationship directly or indirectly and where did \$10,000 come from, what was not paid because the consultants were paid and does the general manger have the authority to hire outside parties and pay them whatever he thinks appropriate for services that seemingly have not been purchased previously without review by the finance committee, Pacifica or the Local Station Board?

It has been clear to me that a conflict of interest policy is either wholly lacking or has not been adhered

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to. My experience as a finance committee member has led me to conclude that the general manager has consistently refused to provide financial information in a standardized format as requested by a passed motion of the finance committee for a couple of years now and up until now I have wanted to chalk up most of his reluctance to provide the most basic financial information in a clear, concise and consistent manner to either his lack of financial training and/or the fact that we have been operating in an ongoing crisis mode but these two recent events coupled with the apparent lack of even the minimum adherence to reasonable policies and procedures for dealing with vendors, providing transparency and accountability make me question my initial assessment.

R. Paul, originally my intent in writing this was to resign my position on the finance committee as the current situation is completely and totally unacceptable to me but I realized that quitting would not change the situation for the betterment of WBAI and it would make me sad about the situation so instead of resigning I am respectfully requesting that the you notify in writing the Local Station Board and the Executive Director of Pacifica on or before Friday May 12th of these developments and that you provide evidence of such notification to the finance committee members. I believe that these recent developments have risen to the level that the immediate direct involvement of the Local Station Board and/or the Pacific Foundation's executive director is required otherwise I feel my only recourse is to notify and seek outside regulatory oversight of the situation as a possible means to remedy or rectify what is seemingly taking place at WBAI. I base my position upon my belief that we have been entrusted with the hard earned money from our listeners and by all accounts we do not adequately account for it and now we apparently engaged in obvious conflicts of interest with the possibility of some within WBAI profiting directly or indirectly at our listeners' expense; a completely and totally unacceptable situation!

Respectfully,

N. Martin Jameson
Finance Committee Member

Item #2

Motion: “Whereas the National Office has been driven into a state of deterioration and dysfunction to great degree by the significant absence of Central Service Payments from several stations totaling a deficit of \$800,000 over the past two years, and

Whereas the National Office is currently having to address Financial burdens and emergencies which have been hidden, ignored and left un-addressed for many years and now threaten the very existence of the Foundation,

Therefor be it resolved that all Station Managers are hereby given the mandate to manage their stations as necessary to successfully generate enough revenue to pay the following three expenses each month, in full and on time:

- The staff payroll,

- Health care costs and
- the allocated Central Service Payment.

It is understood that income and expenses are not fixed and fluctuate from month to month and therefore a station should develop a reserve to use when income is lower to fulfill this obligation. It is also understood that by joint consent the ED and the CFO may grant an exemption, for that month, to a station that cannot meet its payroll or health care expenses with the commitment that the station will make good on omitted payments in subsequent months.

As income may not be sufficient to keep up with all expenses, General Managers and Business Managers must report all outstanding deficits, payments that are in arrears and bills that cannot be paid due to lack of revenue,. These reports must be accurate and complete, without any omissions, and must be updated every month.

If a General Manager of a station repeatedly fails to accomplish these obligation they will be subject to evaluation and disciplinary action including filing of reprimands and possible suspension without pay and/or termination. General Managers that can meet these obligations without major neglect of other bills will likewise be properly and publicly acknowledged.

The first month this policy begins enforcement will be July 2017.” (Passed 7 for, 2 against, 1 abstention)