

WBAI Treasurer's Report
August 9, 2017

The National Finance Committee (NFC) met on June 27, July 11, July 25, and August 8, 2017. The local Finance Committee met on July 6, 2017.

The June 27, 2017, NFC meeting was in executive session. The report out from that meeting is, "The NFC met in executive session to discuss matters relating to legal, real estate and financial issues of a confidential nature."

At the July 6, 2017, local Finance Committee meeting the WBAI General Manager did not show up. I called the General Manager during the course of the meeting and the call went to voice mail. The General Manager had sent me an E-mail the day before the meeting saying that he had prepared the following documents: a printed budget, outstanding payables and cash available. At the July 25, 2017, NFC meeting the General Manager said that he had given these documents to the "Programming Manager" consultant, Mr. Bates, to give to the Finance Committee. Mr. Bates did not deliver anything to the committee. The local Finance Committee was disappointed by the General Manager not coming to the meeting, especially since we had anticipated starting to go over his draft FY18 budget proposal with him. The local Finance Committee also had a number of questions for the General Manager including questions about the WBAI credit card expenses and the identity of the second signer on the WBAI checking account.

At this meeting the local Finance Committee passed the following **Motion**: "To remind the WBAI LSB and General Manager that the local Finance Committee has been requesting specific financial documents from the General Manager, for at least two years, which we need to perform our duties and the committee has not been getting them, and that the little information we have received from the General Manager does not allow for us to reasonably account for the revenue of WBAI."

The text of that motion was sent on July 11, 2017, to the public LSB mailing list and the General Manager, with copies to the NFC and the local Finance Committee.

At the July 11, 2017, NFC meeting the "Statement of Activities (P & L Report) For the Eight Months Ending May 31, 2017 (With Prior Years Figures)" was discussed at some length. I noted that in the line about WBAI's "Net Income(Net Loss)" the P&L shows a deficit of \$93,719 while the P&L for the seven months ending April 30, 2017, showed a WBAI deficit of \$208,375. I questioned why the May 31, P&L is lower than what we'd seen in the previous P&Ls, especially since the May 31, P&L shows WBAI's expenses exceeding its revenue again. WBAI's revenue was almost all listed in "Listener Support," so it looks like it's getting lumped into that line again. There was an entry on the P&L for a "Grant Income" of \$35,000, and I wondered where that came from. I told the NFC that the WBAI General Manager had not come to the past two local Finance Committee meetings, and that the General Manager had not given the local Finance Committee financial information in his absence. The NFC also discussed the previously noted discrepancies in the "Rent -Tower" line, which is the rent paid to the Empire State Building (ESB), which were still in the latest P&L. The CFO was not at this NFC meeting because he was busy with preparations for the audit.

That P&L for the seven months ending May 31, 2017, showed Pacifica as a whole with a net revenue of \$565,494.

At the July 25, 2017, NFC meeting the interim Executive Director told the NFC that he, the CFO, the lawyer who is doing *pro bono* work for Pacifica on the Empire State Building (ESB) lawsuit

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issue and that lawyer's associate had met that day with two lawyers representing the Empire State Realty Trust (ESRT) which is the company filing the lawsuit. The interim Executive Director told the NFC that the ESRT lawyers did not offer a settlement but just asked questions about why Pacifica couldn't come up with more money to pay the rent arrearage. They suggested that WBAI's frequency be swapped. The interim Executive Director pointed out that the ESRT lawyers had asked for this meeting and he said that there was the potential to have more meetings before the judge in this case. The interim Executive Director said that Pacifica may need to give the ESRT lawyers more documentation regarding Pacifica's finances; he said that the PNB will need to discuss this in executive session. There was discussion of getting an official appraisal on the Berkeley property with the idea of selling or mortgaging that real estate to get the money to pay off the ESB debt.

The WBAI General Manager attended this NFC meeting. The NFC Chair asked the WBAI General Manager about the questions raised at the July 11, 2017, NFC meeting about the latest WBAI Profit & Loss Statement. The General Manager said that he didn't know why the deficit for the last Profit & Loss Statement was lower than the previous one. He said that he also has complained about almost all of the WBAI revenue being lumped into the "Listener Support" line. He said that the "Grant Income" of \$35,000 was from a partial payment from the Boulton Family Trust. He said that WBAI should get another \$450,000 from that bequest, but he couldn't say when that money might be forthcoming. He said that although he hadn't shown up at the last WBAI local Finance Committee meeting he had given some financial information to the "Programming Manager" consultant to give to the local Finance Committee, but that consultant didn't give it to the committee. The General Manager said that most of the financial information comes from the National Office, and that he doesn't have a balance sheet, but has a basic cash flow. He said that he did not know why the National Office hadn't booked the past four months of "Tower Rent" properly on the ESB rent line in the May 31, Profit & Loss Statement. He said that there is a \$36,000 legal fee shown in the Profit & Loss Statement for October and that he had no idea what that was about.

A written response from the General Manager was requested at this meeting. The NFC discussed the need to get the details of WBAI's "Rent -Tower" accruals and payments correctly entered. The WBAI General Manager said that he had asked the KPFK Business Manager, who currently handles WBAI's finances, to rectify the revenue details. The interim Executive Director asked the WBAI General Manager to send him the original invoices and he'd make sure it all gets entered correctly. The General Manager said that he thought that WBAI's actual "Listener Support" was about \$1.2 million.

At this NFC meeting there was a discussion about the difference between the WBAI budgeted daily on-air fund raiser tally and the actual tally. The WBAI General Manager said that the daily tally projected in the FY17 budget had been adjusted since that budget had been approved by the NFC, but he didn't know who had adjusted it. The NFC discussed the issue of the WBAI General Manager using different accounting software from the rest of Pacifica, the fact that WBAI has not had an in-house Business Manager for five or six years, and there was a discussion of WBAI hiring consultants. The WBAI General Manager said he would send the committee a spreadsheet showing all the consultants hired from October 2014, to date. As of the date of the Treasurer's Report the NFC has not gotten that spreadsheet. During the discussion the General Manager said that WBAI had been off the air for about two days in the past four months.

At the August 8, 2017, NFC meeting **the CFO reported that the final draft of the FY15 audit is done.** He said that the auditors will work with the PNB Audit Committee and once the Audit

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Committee approves the FY15 audit it will submitted to the California Attorney General. The CFO said that this should be done during the week of August 21, 2017, which will meet the Attorney General's deadline. The CFO also said that the amended 990 form for FY16 has been done.

As reported in the WBAI Treasurer's Report dated March 22, 2017, the California Attorney General gave Pacifica a deadline of August 27, 2017, to get a number of things done, including a FY15 audit, getting correct 990 forms filed and getting its governance act together. So after the California Attorney General's threat of Pacifica's losing its tax exempt status had been kept secret last year and early this year the issues are finally getting dealt with.

The CFO also said that the audit had found that some invoices had been entered twice and were kept open when they had been paid, he said that this was being cleaned up. The WBAI General Manager has been complaining for months that this has been happening.

At this NFC meeting the CFO addressed the discrepancies in the WBAI "Rent -Tower" line. He said that the discrepancies in this line will be cleaned up and that the National Office will increase the accrual rate in future P&Ls; he said that the true amounts will be reflected in the future statements.

The NFC had a short discussion about the FY18 budgets. So far only the WBAI draft FY18 budget has been submitted. The WBAI General Manager had sent this to me in June. In the NFC discussion I had pointed out that the revenue seems inflated in this draft budget. The General Manager is projecting a tally of \$15,000 a day on most on-air fund raisers. The on-air fund raiser tallies have not been at that level for years. These inflated "Listener Support" tallies have contributed to the budgets being way off in the past. I also noted that since the P&Ls have been lumping all of the revenue into the "Listener Support" line it will be difficult to compare FY18 budget projections with past actuals. The CFO said that the auditors had asked for the variances between the budgets and actuals for the FY15 audit and they said that the budgets are not realistic. He said that they have asked for a cash flow projection for the next 12 months. He noted that unrealistic budgets are a problem. He wants to do the budgets, and the reviews of the budgets, differently. He said he was going to prepare some standardized templates that will show historical trends to help project revenue. He said we should consider station budgets that project a deficit. Having been through a number of budget cycles as WBAI LSB Treasurer I think that this would be a much more realistic approach and might do away with the budgets that we've seen for years that show end of year surpluses that are never met. The timeline for the FY18 budgets will probably be about as uncomplished with as previous budget timelines have been for the past number of years.

During this meeting the NFC was told that the National Office Staff are over worked and are concentrating on the audits. Also during this meeting the interim Executive Director said that he would tell the WBAI General Manager to attend the August 10, 2017, local Finance Committee meeting.

The Summer WBAI on-air fund raiser began on July 17, 2017, and has been extended to August 13, 2017, which will make it a 28 day on-air fund raiser. There has been at least one day in which the station was off the air during this on-air fund raiser. From the information I have, the tally as of August 7, 2017, was \$186,964 after 22 days of pitching. This is an average daily tally of \$8,498. The goal for this on-air fund raiser in the General Manager's FY17 budget is \$308,000 in 22 days and a daily tally of \$14,000.

Clearly WBAI is still unable to raise anything near sufficient revenue to be self sustaining. I was glad to hear the CFO say that the unrealistic budgets are a problem and must not be allowed to continue.

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In my opinion **WBAI should be able to post a FY18 budget that shows an end of year deficit, if that is the only realistic outcome that can be projected.** A budget should be something that Management can use to chart its financial progress and should serve as an informative document for those involved in governance. In Pacifica it used to be required that budgets reflect only proven revenue for the next fiscal year. A big part of what has gotten Pacifica into such bad financial trouble has been approving unrealistic budgets which then mask a station's revenue failures. With unrealistic budgets Managements throughout Pacifica have in the past tended to spend to the limits of the projected revenue. So when that revenue fails to be realized the station falls into debt. This scenario has usually only become acute in the last months of a fiscal year, and then when Management projects another rosy revenue line for the next fiscal year the problem starts all over again, and this is cumulative. I hope that the cycle of unrealistic budgets will be broken this year.

It is good that the FY15 audit is going to be delivered to the California Attorney General on time, and that the 990 form has been amended prior to the deadline.

I have again asked the General Manager for the expense and revenue projection for another off-air fund raiser. I have been asking for these projections, and the actuals of the events that have been completed, for years now and I have gotten very little response. I am hoping to find out the projected expenses along with projected revenue for future events, and for the past events I keep asking about. The projections and actuals for these events has been mandated by the PNB since 2012.

WBAI's finances still look dire. The ESB issue looms. It was good to hear Pacifica Management addressing the issues that have been causing problems for years.

The next NFC meeting is scheduled for August 22, 2017, and the next local Finance Committee meeting is set for tomorrow night, August 10, 2017, at 7:00 PM at WBAI 388 Atlantic Ave. 3rd floor, Brooklyn, NY 11217. The public is invited to attend.

R. Paul Martin
WBAI LSB Treasurer