

WBAI Treasurer's Report  
April 11, 2018

The National Finance Committee (NFC) met on April 10, 2018. At this meeting the NFC adopted a new timeline for the FY19 budget process. The committee decided to make all of the deadlines two weeks earlier than the FY17 budget timeline. A copy of the FY19 budget timeline is included as Appendix A of this report. It should be noted that Pacifica has not adhered closely to the budget timelines for a number of years.

On March 28, 2018, Pacifica CFO Sam Agarwal sent out an E-mail in which he tendered his resignation as CFO effective Friday, May 4, 2018. A copy of the CFO's resignation letter, which he has approved for general distribution, is included as Appendix B of this report.

The CFO did not attend this NFC meeting, saying in an E-mail that he had, "some urgent matters to attend to regarding Audits." The NFC Chair reported that he had asked the CFO for some information for the NFC but the CFO had told him that he was very busy and did not send any information.

The NFC passed the following motion which will be sent to the PNB:

**Motion:** "The NFC asks that if at any time the CFO cannot interface with the NFC regarding preparation of budgets, or any other financial issues that must be addressed in a timely fashion, that the Executive Director do so." (Passed without objection)

The NFC has not approved any FY18 budgets; the PNB never approved any FY17 budgets; we are in the third quarter of FY18. The NFC discussed budgets at this meeting and some General Managers appear to be not cooperating with governance in preparing them. As previously reported, the CFO had said that the National Office would be preparing the WBAI FY19 budget. So far no such document has been presented.

On April 5, 2018, the interim Executive Director sent out a press release announcing a settlement with the Empire State Realty Trust (ESRT) and a series of agreements that will allow WBAI to get out of the last two years of its lease at the Empire State Building (ESB) as of May 31, 2018. WBAI will be moving to a new transmission site at 4 Times Square where the rent will be much lower than it had been at ESB. The press release goes on to say, "Funding for the settlement was provided through a loan from the non-profit lender FJC, which includes a reserve amount that frees Pacifica from making payments for the first eighteen months of the loan and interest payments only for the following 18 months before the loan matures after three years." The long term loan was brokered by Mark Hand of the Public Media Company, and the lender is the non-profit Agency Loan Fund of FJC which is a 501c(3) public charity which helps finance projects for public radio and television stations.

The NFC discussed this development, and there was agreement that in order to be able to pay off the loan, which I'm told will require monthly payment of interest starting six months from now, which is to be covered by the "reserve amount" mentioned in the press release, and a balloon payment of the principal in 36 months, things will need to change in Pacifica. **The Pacifica cash flow, at the rates seen for the past several years, cannot produce the required amounts needed to pay off this loan.**

The NFC has not received any financial documents related to this loan. **There is a**

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**Pacifica policy, as per a motion passed by the PNB years ago, that any financial endeavor above a certain magnitude must be sent to the NFC for review so that the NFC may advise the PNB. This policy has not been adhered to in this case.** The result is that the NFC is officially mostly in the dark regarding the details of the largest financial transaction in the history of Pacifica. The last two years of the ESB lease would have cost on the order of \$2,000,000. The figure I've heard of \$12,000 a month rent at 4 Times Square would cost about \$288,000 over two years, which would result in a net saving of about \$1,712,000 during that time.

In the absence of any financial documents related to these agreements being officially sent to the NFC I have been reading various postings on some of the general mailing lists that relate to the Pacifica Foundation. Since those lists are not official outlets I can't be sure of the veracity of the information I'm seeing on them, but I am seeing PNB motions quoted. I am seeing people saying that not even all Pacifica Directors have seen the loan documents. I have seen that appraisals of real estate are mentioned in a motion passed by the PNB. I have seen a statement that looks credible that says that the terms of the loan may have a section that mentions, "pending a swap or sale of one or more radio station licenses," to repay the loan. That would certainly address the question of why a sane lender would lend Pacifica between \$3,100,000 and \$3,700,000 (these are figures I've seen on an unofficial mailing list) knowing Pacifica's inadequate cash flow, chronic and severe lateness with audits and endemic disregard of fundamental business practices.

Article Three, Section 5 of the Pacifica bylaws says that all Pacifica members will get to vote, "...on the sale, exchange, transfer or disposition of all or substantially all of the Foundation's assets; on the sale, exchange, transfer or disposition of any of the Foundation's broadcast licenses ...." This could set up a situation I have warned about in the past where the entire membership of the Pacifica Foundation would essentially vote on sacrificing a radio station through a sale or signal swap. WBAI's membership is smaller than that of some of the other Pacifica stations, and certainly the argument presented to other station's members that they have a choice of sacrificing their station's license or WBAI's license would put WBAI at an overwhelming disadvantage. **I hope that we will all get to see the full terms of these loans very soon.** They may help to save Pacifica and WBAI, but they may only do so for a relatively short period of time. In some of the mailing lists I am seeing statements that Pacifica has to start paying the interest on the loan in six months. I think that the "reserve" will handle that and add it to the principal. Again, I have not seen the actual loan documents. WBAI and some other stations can't even keep up with Central Services payments, how the monthly interest payments will be accommodated, whenever they start, is a question I have not seen a cogent answer to. How to pay that balloon payment is an even bigger question.

The local Finance Committee has not met since the last LSB meeting. I have recently gotten the General Manager to say on what dates he can meet with the local Finance Committee and I am polling the local Finance Committee members for their availability on those dates.

The next NFC meeting will be on April 24, 2018.

I have been pessimistic about Pacifica's finances for years. In my Treasurer's Report of

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April 13, 2016, I noted that the CFO, who is now leaving Pacifica, had mentioned “liquidating” WBAI. In previous Treasurer’s Reports I have related the many motions passed and statements made about improving the air of all of the Pacifica radio stations with a view to getting more listeners and more revenue. With the ESRT judgement crisis metamorphosing into what may be the unmanageable-loan-crisis I have so far not heard anything new being said. I know that there is a working group of the PNB that is supposed to come up with a plan to get Pacifica out of this situation, and I hope that they are successful, but so far I am not hearing anything that has moved me from my overall pessimistic evaluation of Pacifica’s situation. One thing is definite, change will come, what that change will be is still a mystery to me. We are in for interesting times.

R. Paul Martin  
WBAI LSB Treasurer

**APPENDICES**

Appendix A the FY19 budget timeline

**FY19 Budget Timeline**

	<b>Deadline</b>	<b>Who Initiates</b>	<b>Action</b>
A	May 17, 2018	CFO	Meet with treasurers to outline budget development process and paperwork submission.  Call for budget Priorities to be discussed in various venues.
B	June 1, 2018	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 15, 2018	GMs/BMs, in consultation with LSBs/Local Finance Committees, ED, and CFO	Generate Draft Station Budgets and submit to CFO.
D	July 1, 2018	CFO	Compile and Distribute Draft Network Budget to LSBs and NFC for review.
E	July 16, 2018	LSBs  NFC	Review Draft Station budgets (LSBs) --Approve As-Is or with amendments.  National Office budget(NFC) --Approve As-Is or with amendments.

F	July 24, 2018	CFO	Compile and Distribute Final Budget Proposal to NFC for approval.
G	August 16, 2018	CFO	Review Final Network Budget Make recommendations for PNB adoption.
H	August 24, 2018	CFO	Distribute Final Budget Proposal to Board.
I	September 15, 2018	PNB	Adopt Budget for fiscal year beginning October 1.

Appendix B the CFO's resignation letter.

March 28, 2018

Dear All,

Sub: Notice for Resignation

I have concluded that I cannot be effective in my job and have decided to give this notice for resignation. I have written a detailed Memo to PNB and provided hundreds of pages of documentation in support of my reasons for doing so. These reports lay out very vividly many requests that I have made over last two years, which have largely not been addressed. Out of respect and privacy, I am providing a shorter version only, for Pacifica Wider Governance. However I have not marked PNB Memo as "Confidential" and any one can request the full copy from any PNB Member. A full copy along with the attachments will also be available at the National Office in HR records.

Briefly, following are the primary reasons for my resignation:

- a. There are extremely hostile working conditions and excessive workload and demands on my time. I have documented this in my successive CFO Reports for last one year.
- b. As I have reported several times, our Audits, both for Financial Statements and Retirement Plans are seriously delinquent since 2016. We are able to complete our audits in approximately 500-600 days from the Year closing. I have requested adequate resources, both at the Stations and National Office, but PNB has failed to take any action. Stations have not made Central Services payments of over \$600,000 in last two years. So, National Office cannot make any hiring decisions in the absence of regular cash flow. We are in a perpetual cycle of delay and default and spend excessive time in seeking extensions. Attached is a list of Due Dates and Audit Delinquencies.
- c. We are seriously delinquent in our Retirement Plan matters and have not paid the contributions since FY 2015. We are critically behind in our compliance reporting and will attract heavy penalties. Few months back, I had resigned as Plan Trustee as I cannot take personal responsibility for such failures. PNB has failed to mandate the stations to set aside money to pay the outstanding dues. In the absence of a qualified Human Resources Manager, it is very difficult for me to deal with such complex matters.

d. I and some other officers had met the CA Attorney General on Dec. 11, 2017 to express our concerns regarding PNB dysfunction and its inability to act in its best interest. A full copy of the filing is available at the National office. Lack of direction and decision making has resulted in continued deterioration in financial health of the organization so that it is finding itself teetering on the edges of bankruptcy. I and Bill Crosier, former IED, had put together a Financial Stabilization and Recovery plan on the directives of CA AG in March, 2017. However, there is no support or initiative for its implementation.

e. Recent PNB action in approving a \$3.7 million loan has put me in an impossible position. The loan mandates extensive accounting and financial reporting requirements which cannot be met in any foreseeable period of time. We do not produce Balance Sheets monthly, so cannot track / report our liabilities on a current basis. We generate Balance Sheets only at the time of audit which is running about 500 days late. Under any loans, it is almost mandatory to produce current audit reports in a reasonable time. We cannot comply with this requirement. There are other documented delinquencies like non-compliance and non-payment of Retirement contributions which puts us in direct breach of loan covenants. I have repeatedly informed PNB of my serious concerns, but it has had no effect in its decision making. It is unconscionable for me to wait for a few months and then report default when it is clear that we will not comply at the outset. Our accounting and reporting is so deficient that, at the present rate of progress, it will take years to come close to meeting the demands. This is ONLY IF, extraordinary resources are devoted for improving the situation, which I have not seen happening in last two years.

f. CFO / National Office is ineffective in making improvements in accounting or strengthening internal controls.

Two stations do not have Business Managers and cannot maintain their records completely or accurately. Other stations are struggling with shortage in resources so that they cannot keep up with their regular demands.

There is no active support or interest from Local Station Directors to take an active part in helping the situation, where deficiencies are highest. Instead, there is resistance and challenge in making any changes and demanding accountability.

g. Most of the decisions for solving our financial crisis have been led by a few Directors. CFO has very little or no role. No spreadsheet analysis has been done how the loan and interest will be paid off or how other critical payments will be made. There does not seem to be any other option, but for selling assets, but that is not favored by the Directors. So, it puts me at great odds with those who are driving these decisions, and make working conditions quite stifling. These decisions are also at odds with General Legal Counsel and Auditors who all have recommended development of a comprehensive debt repayment plan and restructuring and reorganization.

h. For Last 5 years, our Revenues are on a declining trend or barely stabilized, but our losses have been mounting.

We have accumulated deficits of over \$4 million. No measures have been taken to improve working capital at stations which are struggling to pay their bills. This is not a sustainable position. CFO is restricted from playing an active role because of local station politics.

In summary, I am not seeing any path going forward, for me, as CFO to provide the leadership and direction to the Foundation in financial matters.

My departure should not be a surprise to many. I have expressed my concerns and inability to function for last few months. Yet, notwithstanding my personal disappointments, I will try my best to ensure a smooth transition. My last day of work at Pacifica will be Friday, May 4, 2018.

However, I do reserve the right to cut short my notice period if the hostilities increase or working conditions become unbearable.

Thanks for your time.

Sam Agarwal

Chief Financial  
Officer Pacifica  
Foundation  
612-205-6658

**Attachments:**

Due Dates and Audit

Delinquencies **Copy:**

Regalia & Associates,

Auditors Audit Committee

National Finance

Committee All Local Station

Boards,

General Managers, Business Managers all stations