

WBAI Treasurer's Report  
August 8, 2018

The local Finance Committee met on, June 28, and August 2, 2018. The National Finance Committee (NFC) met on July 10, 2018.

At the June 28, 2018, local Finance Committee meeting the committee discussed Pacifica's pension plan difficulties, focusing on the cost and the penalties added as a result of the IRS audit. The General Manager estimated that it would probably all come to about \$1,000,000. He said that 95% of the pension plan non-compliance is from KPFA and KPFK, and they don't know how much it will amount to. They have to calculate the interest and the penalty. Committee members discussed how this expense was going to be paid for.

The General Manager told the committee that WBAI had a bequest coming to it that will amount to about \$200,000 to \$300,000, and that there will be a bequest for Pacifica on behalf of WBAI that will be about \$800,000. The General Manager was concerned that Pacifica may not give WBAI credit for that money. He also said it was unclear that Pacifica would give WBAI credit for the bequest of the house in Piscataway, New Jersey, and for the approximately \$280,000 remaining from the Boulton Family bequest. He said that he thought it would be good idea to use about 90% of that money to help pay off the pension plan expenses and contribute toward paying off the large loan that Pacifica has taken out to pay off the Empire State Building (ESB) judgement. He noted that Pacifica has still not agreed to credit WBAI for the money from the Krivo estate that went to the Pacifica Radio Archives matching fund. One local Finance Committee member said that she had spoken to Mr. Krivo before he had died and she can attest to the fact that Mr. Krivo had told her that the money was slated for WBAI, the General Manager said he was told this by Mr. Krivo as well.

The General Manager said that the utility bill from 4 Times Square is a lot less than what the ESB had been charging monthly.

The General Manager said that the new Nutel transmitter that 4 Times Square had paid for should be coming on line soon. The cost of the transmitter will be billed to WBAI over a 15 year period. He said that a backup transmitter that had been shipped from KPFT to a warehouse in the Bronx, where people at that warehouse had signed for it, could not be found when WBAI people went there to pick it up. The General Manager said that he believes that the KPFT transmitter was insured.

The committee discussed the details of the approximately \$4,000,000 loan, which the General Manager has also not been informed of.

The General Manager said that Pacifica was outsourcing its financial functions to the National Educational Telecommunications Association (NETA), and they would be coming to New York to review WBAI's finances. At this meeting the General Manager said that WBAI had about \$238,523 cash in bank, with about \$181,000 of that as the result of a bequest.

The committee went over the General Manager's draft FY19 budget proposal. The draft FY19 budget projected a net surplus of \$92,625. The General Manager projected Listener Support at \$1,318,990 and an average daily tally of \$11,500. Committee members said that since the station hadn't been making that goal for some time that it should be lowered in the draft FY19 budget. The General Manager argued that if the budget projects that the 'thon will last for 30 days then whatever the total tally is, even if the 'thon is extended, should be divided by 30 days. The committee members disagreed. The Assumptions spreadsheet was mostly full of old data, some of it going back to 2009. There were many parts of the actual budget proposal that also contained old data. The General Manager agreed to lower his average daily tally projection and bring the modified draft budget to the next local Finance Committee meeting.

At the July 10, 2018 NFC meeting my long distance carrier wouldn't connect to the phone numbers for the NFC conference call. As a result I missed some of the meeting as I used a calling card and a borrowed cell phone to get on the call for a while.

The interim Executive Director brought the Executive Vice President, Business Center Director from

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NETA to the meeting. The interim Executive Director said that the PNB had voted on June 15, to retain NETA to take over Pacifica's financial functions. The Executive Vice President from NETA told the committee that NETA is providing services in two phases: 1. Supporting the Auditor and addressing current issues, and 2. Ongoing day to day operations.

The NFC was told that NETA personnel would be visiting all of the stations to: 1. Work with audits. 2. Review Payrolls. 3. Review Cash flows. 4. Review financial statements. The NFC was told that so far they've found inconsistencies related to employee withholding at some stations. Some of NETA's goals are to verify revenues and expenses, consolidate finances onto a single database platform, currently Great Plains. They will also offer the MAS 500 platform if needed. The Executive Vice President from NETA said that she didn't know much about Pacifica but had known the interim Executive Director for a long time. She said that it could easily take two more months to get the FY17 audit done, and that they needed to get a handle on Pacifica's cash flow.

She said that their priorities were revenue and payroll. She said that the Management letter from the auditors was longest one she'd ever seen. She said that they'd have to review that Management letter before they got started. She said that NETA can provide budgets for the stations from a template that they have. She said that NETA can provide each station with a scanner that sends data directly to the National Office, and that they can issue monthly financial statements.

No Pacifica stations have draft FY19 budget proposals ready for presentation yet.

At the August 2, 2018, local Finance Committee meeting the General Manager had a revised draft FY19 budget for the committee and a number of financial documents, including a balance sheet, an income statement, a cash flow statement and outstanding payables for the committee.

The General Manager said that the NETA people had come to the station and that they liked his use of the *Quickbooks* software for accounting purposes. He said that the auditors had given him a new Chart of Accounts. **The General Manager said that WBAI had \$89,563 cash in bank. He said that the station had debt that totaled \$2,554,946.** The General Manager said that he'd been recommending that Pacifica outsource its accounting for years. He said that he no longer has access to WBAI's bank accounts, and that NETA would have to issue checks from now on. He said that now he scans and E-mails receipts to them. He said that this allows for checks and balances in Pacifica.

The General Manager said that WBAI was getting FIOS, with Time-Warner as a backup for Internet access and phones and that this will reduce WBAI's phone/Internet bill from \$1,600 a month to about \$400 a month. The General Manager said that WBAI had almost 1,000 BAI Buddies at this time.

It was noted by one local Finance Committee member that the controversial World Financial Group premium, which was detailed in the June 14, 2017, Treasurer's Report, was still on the WBAI Web site. The General Manager assured the committee that this premium was not being pitched anymore and that he'd remove it from the Web site.

The General Manager then had a presentation from a member of the Operations Department regarding new equipment, including better microphones, that WBAI was getting. Also, Master Control will be moved from the current room that doesn't have walls that go all the way up to the ceiling to the front room. The committee was assured that the sound proofing would be adequate, including thick, plexiglass double glazed windows with Argon between the panes to dampen sound from Atlantic Ave. The General Manager said that the building out of the front room would cost less than \$10,000, and would be worth it.

The committee discussed the General Manager's revised draft FY19 budget proposal, which the committee had only gotten a couple of days before the meeting. The General Manager said that the FY19 budget was all cash based, with no accruals. The General Manager's budget projects \$1,144,204 for Listener Support and a daily tally of \$9,750. The General Manager proposed to raise that amount in 143 days of pitching. Calculations showed that at the 78.3% fulfillment rate Management was projecting it would actually require 150 days of pitching to reach that goal. **The revised draft FY19 budget projected a net deficit of \$67,781 at the**

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**end of FY19.**

The General Manager said that WBAI will be getting much more from bequests over the next few months and that although he can't put bequests into a draft budget he is confident that WBAI will get that money. He also said that if the audits get done then WBAI can apply for grants in New York State, even if we've missed the deadline for CPB grants.

The local Finance Committee hadn't gotten the draft FY19 budget in time to go over it in much detail, so it will be taken up again at the next local Finance Committee meeting.

**The Profit & Loss statement that the General Manager gave the committee shows WBAI running a deficit of \$76, 343 as of July 31, 2018.**

The General Manager gave the committee a lot of financial documents during the meeting and it will take a bit of time for members to go over those figures. The local Finance Committee will probably address some of those figures at the next meeting.

The WBAI 2018, Summer 'thon began on July 23, and was originally set to run for 14 days; it has been extended a week and should now end on August 12. The interim Development Director usually puts out the daily tally, but she went on vacation this past weekend and will not return to work until August 13. **We currently have the tallies for only the first 11 days of this 'thon. The total at that point was \$70,224 for an average daily tally of \$6,384. This represents a serious shortfall.** In an unusual move Management has been including varying goals for each day of this 'thon, and they total \$109,225 for a nominal shortfall of about \$39,000. Had Management's often preferred goal of \$15,000 a day been in effect the shortfall would have been even worse. Some shows are getting more BAI Buddies, but those sustaining memberships do not make up for the shortfall. The proceeds from the Summer 'thon are necessary to get the station to survive until the Fall 'thon, which ought to start in October. Unless the tallies for this 'thon pick up significantly for the remaining days this 'thon will not be able to provide for WBAI until the Fall 'thon.

The outsourcing of Pacifica's financial accounting may be a good thing. Those of us not on the PNB still do not know for certain what the full details of the big loan are; we also do not know what the plan is to repay that loan. It looks like all of the FY19 budgets will get done late. The WBAI Summer 'thon is tanking badly. On the upside there may be a large infusion of cash from bequests early in FY19, but one-time bequests are not an adequate substitute for Listener Support levels that allow WBAI to become self-sustaining again. Despite the good developments I can't shake my pessimism regarding WBAI and Pacifica's financial situation. Maybe more information will help in that regard.

The next NFC meeting will be on August 14, 2018, and the next local Finance Committee meeting will be on September 6, 2018.

R. Paul Martin  
WBAI LSB Treasurer