

WBAI Treasurer's Report
February 12, 2020

The National Finance Committee (NFC) met on January 14, January 28, and February 11, 2020. The local Finance Committee met on January 15, 2020.

At the January 14, 2020, NFC meeting Anita Sims who is the Executive Vice President of the National Educational Telecommunications Association (NETA) was introduced to the NFC as the new Pacifica interim CFO. She told the NFC that all of the NETA accountants agreed that they would have the current financials by the week after the meeting, and no later than the end of January. She said that they've sent the FY18 trial balance to the auditors. She said that they would start on the FY19 audit to stay ahead of things. She said that by the January 28, 2020, NFC meeting she should be able to provide a budget for the National Office so the committee can see what the expenses are [this did not happen]. She noted that a lot of vendors' payables are outstanding, and that NETA is one of them. She said that NETA is about 120 days late for their fees. She also said that the accounting firm is asking for payment. She said that she would like to send the outstanding Accounts Payable list to the NFC Chair for him to look at and share, and see how cash is trending. She said that Pacifica had made a \$10,000 payment to NETA days earlier, but that was on an August invoice.

In answer to a question the interim CFO said that she has not been able to see all bank accounts so the only way NETA knows what the cash situation is is to ask the Business Managers. She said NETA needs on-line views. She did say that because WBAI and WPFW do not have Business Managers that they report their financial information to NETA and NETA puts that information into the *MAS 500* accounting software which is their central accounting system; the rest of the Pacifica stations are still processing financial data on their own systems. She said that she needs the support of the PNB to make sure that the message gets delivered to the Business Managers that NETA needs on-line access to bank accounts to see how stations are tracking. She said that uniting it all under NETA's *MAS 500* platform would be good, and that she'd talked to the interim Executive Director and hopes that we can make that happen. The interim CFO said that NETA had a written plan for this, which she said she'd send to the committee, but they need the stations' cooperation. She said they're getting historical data and doing trial balances till everything is current and then they can do it on their *MAS 500* system and stop doing it the other way.

The interim CFO said that to her knowledge there is no plan to pay the interest and principal of the loan. She said that that's one of the things she'd like to tackle.

Although NETA has all of the loan documents the NFC members did not. At this meeting one NFC member sent the other NFC members a link to an unofficial Web site that she says contains the leaked loan documents.

The interim CFO said she doesn't get much cooperation when she's trying to get access to stations' bank accounts and detailed financial information. She said she would like to see the Wednesday calls with all of the Business Managers on the phone reinstated so she could tell them again what NETA needs. She says that NETA has provided them with a scanner, and they could even E-mail information to NETA. **The interim CFO said that WBAI has sent in everything needed to make that station's financials current as of December.**

The interim CFO said that the Profit & Loss (P&L) statement that the previous interim CFO had sent had blanks in it because some journal entries needed to be done. She said the plan is to have it up to date through December and as accurate as they know it. She said she'd look at the cash flow statement that was sent and will see if they can update it. Both the P&L and that cash flow statement from the

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previous interim CFO were controversial because they showed WBAI in an even worse light than it already is, showing the entire loan as a WBAI expense as opposed to a Pacifica-wide expense. The NFC Chair said he can see the accounting justification for leaving it on WBAI's books but that it needs to go to Pacifica's books to make payments. He said that the reason it's important is it's an extraordinary item.

At this NFC meeting the committee discussed the formula that would be needed to determine what each individual station would pay as their Central Services fees throughout 2020. The most recent Central Services formula was created about five years ago, and it was based on data some of which is 10 years old now. The NFC Chair said that the stations have a reasonably good understanding of their revenue stream and that even when he finds discrepancies in the P&Ls the revenue is close. He said that for example the WBAI General Manager's P&L numbers for WBAI's revenue and NETA's P&L are less than 1%, or little over 1%, different, which amounts to about \$15,000. He suggested that some percentage of revenue should serve as the Central Service formula. In the past the Central Services fees were based on Listener Support revenue. The NFC discussed how WBAI's programming being replaced in October would affect the station's Listener Support numbers. The interim CFO said that she could provide the committee with scenarios that could be discussed.

The NFC Chair said that he has been trying to reconcile WBAI's internal books with the National Office's books and he's had some success. He said that the basic problem is how NETA is categorizing items and how the WBAI General Manager has chosen to do so. He said it's a matter of understanding which accounting method makes sense. He said there were quite a few missing items in the *Quickbooks* accounting software report from the WBAI General Manager. At that point the NFC Chair had not spoken to the WBAI General Manager. I gave him the General Manager's contact information. The Chair said that he was trying to get the differences between the NETA P&L and the WBAI General Manager's P&L down to about 5%.

The need for an updated cash flow report and projection through December was brought up at this NFC meeting. The interim CFO said she will look into it and work on it. She said that when NETA gets more information they would like to look at cash flows out till the end of FY20.

The WBAI local Finance Committee met on January 15, 2020. At this meeting the General Manager said that Pacifica should be responsible for all of WBAI's bills for the month of October 2019, when the station had been taken over. The General Manager said that the station had about \$35,000 cash in bank as of two days before this meeting.

The General Manager told the committee that the rent would be going up considerably, even as the landlord reduced the amount of space that WBAI had on the third floor. WBAI still does not have a signed lease and WBAI is a tenant at will. The General Manager pointed out that Grace Aaron had been Chair of the PNB and interim Executive Director and had been going to present a lease to the PNB for approval last year when she was removed as Chair and interim Executive Director. The General Manager said that the building at 388 Atlantic Ave. Was on a higher electricity rate because WBAI used so much electricity. He said that now that there are other tenants on the third floor that WBAI would no longer be paying a separate electric bill, that utility cost would be a part of the rent and shared with other tenants.

The General Manager said he'd paid Central Services for the Pacifica Radio Archives in January and he was catching up on health insurance payments. He gave the committee an Accounts Payable ageing summary as of January 14, 2020. It shows a total debt of \$760,904 with \$636,627 of that being long term debt to Central Services payments and \$124,736 of other expenses such as payroll expenses

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and health care bill back. The General Manager gave the committee an accrual based P&L for the First Quarter of FY20 and it shows a net deficit of \$9,103.

The committee discussed people being paid for providing premiums and it was suggested that some of those expenses should be negotiated for all Pacifica stations so that those premiums and the programs promoting them could be shared throughout Pacifica for one price.

The General Manager said that WBAI used to have more than 980 BAI Buddies (sustaining memberships) before the October coup, but hundreds of people cancelled their BAI Buddy membership when the coup happened. He said that the station has been getting many of them back and the average monthly donation for a BAI buddy was about \$14.37. He gave the committee a tally of BAI Buddies over the previous months. He said the list is about 80% accurate.

The General Manager told the local Finance Committee that WBAI has a new Web master who is being paid \$1,000 a month. The committee discussed WBAI's use of consultants. The General Manager told the committee that Pacifica has said we shouldn't have consultants anymore. The old issue of the legality of some consultants at WBAI was discussed. The General Manager said he is consulting an attorney about the legal issues around consultants vs. employees.

There was a discussion of the NETA P&L. The General Manager disagrees with it and said that he was willing to send his P&L to NETA and Pacifica. There was a discussion of the WBAI Directors making sure that the P&L information is corrected before it all goes to the auditors.

The committee passed the following **Motion:** (Cerene Roberts) "The Finance Committee recommends to the LSB that it recommend to the PNB,

That rental payments for all Subcarriers shall be billed and received by the National Office.

Where necessary, collection action and discontinuance of usage will be pursued.

Effective March 1, 2020, five percent (5%) of funds collected, plus any legal fees incurred and documented to the General Manager (GENERAL MANAGER) and the Pacifica National Board (PNB), and any necessary maintenance costs including parts and labor, shall be retained by the National Office.

The balance shall be credited to the individual stations' Central Services and reported monthly by NETA to the GENERAL MANAGER and PNB." (Passed without objection)

At the January 28, 2020, NFC meeting the interim CFO did not attend because NETA was having its annual conference in Washington, D.C. on that date. So the NFC did not get the reports she had said she'd provide on that date.

The NFC discussed a Central Services formula again. There was a discussion of the need for the formula to be realistic so that the amount a station was to pay was within its means to actually pay. How to weight more recent years in a rolling average for the formula was discussed. The advisability of creating a Central Services formula before yearly budgets were prepared was discussed. The NFC Chair said that over the past 12 months four of the five stations had lost money, so this would indicate an inability to pay Central Services fees. The repayment of the loan was discussed in this context. It was suggested that a plan to better utilize windfalls, such as bequests, was needed. It was suggested that \$200,000 be added to whatever the National Office's projected FY20 expenses would be in order to deal with emergencies. It was estimated by some members that the National Office would need about \$1.4

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million or \$1.5 million for FY20, and the proposed \$200,000 would be added to that. The capacity of Pacifica to handle such complicated financial issues was called into question.

The NFC Chair reported to the committee on his ongoing attempt to reconcile the NETA P&L for FY19 with the WBAI General Manager's P&L for the same period. He said that WBAI has a lot of extraordinary expenses. He reported that he hadn't been able to speak to the WBAI General Manager about these issues as of the date of this meeting. But that he's getting close to reconciling them. He said that the interim CFO had told him that a number of corrections were being made to the NETA P&L. It was suggested that the NFC needs to get an updated P&L from NETA for the accrued expenses. The Chair was encouraged to send out the P&L ending September 30, 2019, which the Chair had previously said needed to be treated as confidential. He said that he had felt handcuffed because there were errors and questions with the FY19 P&L.

The NFC discussed the loan. The NFC Chair said that it had been suggested that Pacifica run a national on-air fund raiser asking each Pacifica member to donate \$10 toward paying off the interest on the loan, and ask if they could send us \$60 to help retire the loan. One NFC member brought up the idea of asking people to *invest* in Pacifica, as essentially a bond issue, with a return of 3% to 4%. I told the NFC that I didn't think that Pacifica could handle such an undertaking. I think there was general agreement on that.

In between meetings an E-mail as sent out by Tracy Rosenberg on January 30, 2020, regarding a "Notice of Sale of Tax Defaulted Property" from the Alameda County, California Tax Collector's office. The notice, dated January 13, 2020, said that KPFA owes about \$486,000 in property taxes on the building that KPFA occupies and that if this amount is not paid by March 19, 2020, that the building will be sold at auction on March 20, 2020. KPFA should have been getting a lower property tax rate because it's a part of not-for-profit entity, instead it is being billed at the commercial property tax rate.

At the February 11, 2020, NFC meeting I got the issue of this impending auction of the building that KPFA occupies put on the agenda. The NFC Chair said that he has been liaising between KPFA and the interim Executive Director on this issue. He said that the interim Executive Director has asked him to gather paperwork on it, and that the PNB has retained legal counsel on the issues of the tax and the not-for-profit exemption to help with this process. He said that things are moving rapidly to make sure of the exemption being filed and also to get the agency in question to entertain the idea of knocking down the tax amount that is due. He said that in the past KPFA did have an exemption, but that there were name changes associated with Pacifica that had exacerbated this problem. The NFC Chair said that a lot of the issue just boils down to paperwork, but that because KPFA had had an exemption before that makes it easier to regain one and that people are optimistic that we can get the \$486,000 tax bill knocked down a lot. It was noted that KPFA was also in California and had also been through the name changes in Pacifica and that they had not had their property tax rates bumped up from the not-for-profit rate to a commercial rate. It was also noted that this issue has come out of the blue, even though it's about at least six years of not paying these tax bills. From what's been said by the KPFA LSB Treasurer and the KPFA Business Manager on an unofficial mailing list both the KPFA General Manager and the Business Manager knew about this tax issue all along. Another factor in this issue is that the building that KPFA occupies is a part of the collateral for the big loan. It is not known how the lender feels about this development. On the NFC call it was speculated that the lender could up the interest rate by more than

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double or could call the loan in entirety. It is hoped that this will not happen. The question was raised if Pacifica could get a lawyer or two to handle this tax problem *pro bono*. If not, it will be another expense.

This issue has raised a lot of recriminations and questions regarding how this could happen. It was noted that these tax bills with notices of arrearages in them had been getting sent to KPFA for at least six years. The question of who opened that mail and what did they do with those communications is one that has been brought up. I'm not going to summarize everything I've seen about it, but this issue may either go away with some relatively small property tax payments being made, or it could result in a large expense that KPFA alone is unlikely to be able to pay, or it could cause problems with the loan or in the worst case it could even result in that building being auctioned off. This is an issue that all of Pacifica will probably be focused on for a good part of the next two months.

The NFC meeting took up other matters as well. Regarding the NFC Chair's attempt to reconcile the NETA P&L for FY19 with the WBAI General Manager's P&L the Chair said that he'd gotten in touch with the WBAI General Manager on the date of this NFC meeting. He said that one discrepancy they're trying to figure out is the issue of a bequest from early 2019, for about \$68,000. He said the problem is that NETA can't find any record of having received it. **I personally wonder if this could be the Jim Krivo bequest that was used to help the nationwide on-air fund raiser to raise money to pay for the audits.** The Chair also said that there were some weird bookkeeping problems with the *Quickbooks* software. He said that they will probably have this all hashed out in a few days and everyone will be on same page for WBAI's financial details at the end of FY19.

The Chair also said that he has some December 31, 2019, reports that the interim CFO has supplied. He says that the major thing that needs to be added is Listener Support numbers for KPFA. He said that the absence of those numbers renders the statement pretty useless. He said that otherwise the First Quarter of FY20 is not looking that bad. He said that revenues are down by about 1% but expenses are down by about 7%. He said that the figures do not include the interest payments on the loan, which so far has been handled by an escrow account. The interim CFO said that WBAI should send all of their information to NETA directly and not bother putting it through *Quickbooks* first. She said that WBAI has only been sending scanned financial documents to NETA on a monthly basis, and they would prefer weekly or even daily scans. I noted that the WBAI General Manager has said that he was sending the scanned documents to NETA on a weekly basis, and I asked her to check on that.

The interim CFO reported to the NFC that the First Quarter does look better for all of Pacifica as compared to FY18. She said that none of the stations were current with their Central Services payments as of February. It was brought up that the NFC still does not have the financial documents necessary to fully understand the financial situation of Pacifica.

In the course of the meeting some discrepancies regarding payments from other stations came to light. The interim CFO again stressed how easy it is for NETA to reconcile and keep track of revenue, expenses, invoices and payments if all of the stations' financial information is on their *MAS 500* software platform. The question of who can enforce compliance with generally accepted accounting principles in Pacifica was brought up. As is traditional, there was no real answer.

The NFC Chair brought up the issue of releasing financial documents to the NFC, and to the general public. He decried the fact that "leaks" have occurred that have allowed some financial information to get out into the public domain before, in his opinion, it was ready. He is very concerned about what he called the errors and questions in some of the documents, and about the reactions of people who don't understand some of the financial documents getting them and starting a lot of problems with erroneous assertions regarding the finances within Pacifica. I will note that the NFC Chair

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had said on a public mailing list that the NETA FY19 P&L was not confidential. He then had exchanges with me on the closed NFC mailing list where he said that that P&L was not to be released. I can appreciate his concern that some people, either through misunderstanding or through an attempt to make a political point, could use some of these financial documents to cause chaos in Pacifica, but I think that that's a price we have to pay. Of course some things need to remain confidential and not be released to the general public, but I think that transparency and good explanations for financial oddities in Pacifica, as well as good answers to questions, would be a very good practice. After all, if Tracy Rosenberg hadn't found and distributed the Notice of Sale of the building that KPFA occupies I don't know how or when the rest of Pacifica would have found out about it. Maybe everyone would have awakened in late March to discover that the new owner was evicting KPFA!

So now we have the bylaws hijackers trying to pirate all of Pacifica as they tried to pirate WBAI in October, we have that loan looming with no plan for how to pay it off, especially when the principle comes due in a little more than 13 months, a possibly very big tax bill that will need to be dealt with and which may affect the loan, and all of that on top of the usual finger pointing, incompetence and magical thinking that typifies how Pacifica and its stations deal with finances and just about everything else. I am solidly pessimistic about the future.

The next local Finance Committee meeting will be on February 19, 2020, at WBAI, and the next NFC teleconference meeting will be on February 25, 2020.

R. Paul Martin
WBAI LSB Treasurer