

WBAI Treasurer's Report
March 11, 2020

The local Finance Committee met on February 19, 2020. The National Finance Committee (NFC) met on February 25, and March 10, 2020.

At the February 19, 2020, local Finance Committee meeting the General Manager told the committee that WBAI had \$17,104 cash in bank. He also said that WBAI's Accounts Payable amounted to \$725,220 which represents an improvement over previous months. He said that the reason the Accounts Payable was lower than it had been was because the station had gotten some good Listener Support revenue. The Accounts Payable include \$59,681 in Payroll Expenses, \$61,677 in Health Insurance bill backs, \$61,615 in accrued Pension payments, \$362,399 in Central Services owed to the National Office and \$163,720 in Central Services owed to the Pacifica Radio Archives (PRA). He said that after 17 days of pitching the Winter on-air fund raiser had made a tally of \$135,551 with \$103,106 of that fulfilled for a fulfillment rate of about 76%. The General Manager said that WBAI was awaiting a bequest of about \$200,000 from the Bolton Family Trust.

The General Manager said that WBAI's Nielsen ratings were improving.

The committee discussed the fact that WBAI is now paying the same rent, and it will soon go up, for less space. This is because when then interim Executive Director John Vernile raided WBAI on October 7, 2019, he reportedly told the landlord that WBAI would not be using the space anymore and she should seek other tenants for the space, which she did. Some local Finance Committee members were of the opinion that the former interim Executive Director should be sued for the extra expense he's caused WBAI.

The General Manager told the committee that during the on-air fund raisers some days are not pitched for the entire 24 hours. He said that sometimes only a few hours a day are pitched in an effort to lessen the tendency of on-air fund raisers to drive regular listeners away.

The General Manager said that NETA is keeping the check registry for WBAI and so they know just what expenses the station is paying.

At the February 25, 2020, NFC meeting the Profit & Loss Statement (P&L) for the First Quarter of FY20 was discussed. The NFC Chair said that things are improved at four of the five stations. The issue of how much money Pacifica owed to the accounting firm and to NETA was discussed. The interim CFO, who is also the Executive Vice-President of NETA, said that she'd look into that. She did say that for the First Quarter of FY20 Pacifica had had Accounting Fees of about \$82,500 for those three months, and Professional and Legal fees were about \$66,000 for that quarter. She said that the auditors were still waiting for some information, but were not billing Pacifica as they stand still, this sounds like an improvement over some previous auditors' practice. The interim CFO said that the federal and state tax returns will come due before we have everything in place and we will need an audit to file a tax return with the state of California; she said we have a six month extension but the end of June will be here before we know it. She said that the audits would cost much less if all of the Pacifica Staff would cooperate with the auditors. So there is still that issue of some Business Managers not cooperating with NETA to

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give them information that they can give to the auditors. It was suggested that practices should be established in Pacifica to obviate the problem of station Staff not cooperating with NETA.

The NFC discussed the Central Services formula that will be needed. It was noted that the National Office will probably need about \$1,500,000 for FY20, although some think that more should be allocated.

Once again the NFC discussed the Chair's reluctance to send out information that can be released to the local Finance Committees and LSBs.

Regarding the KPFA property tax issue, the Chair told the NFC that the paperwork regarding the property taxes and the non-profit tax discount had been submitted on time, and lawyers were working on it. He said that they felt they will reach an equitable conclusion and KPFA will get the non-profit discount rate on the property tax. He said that the discount will have to be negotiated.

The NFC discussed the need for cash flow information so that the NFC could project how to pay the interest payments, and what individual stations can actually pay. The Chair said he'd talk to the interim CFO about this.

At the March 10, 2020, NFC meeting George Diaz, one of the auditors from the auditing firm of Rogers & Co. and George Walters, another NETA worker, attended the meeting. The auditor said that Rogers & Co. had done Pacifica's FY17 audit, and has been working on the FY18 audit for months, exchanging lists, questions and answers with NETA. He said that it's taking longer to close the FY18 audit because they're waiting on answers from some stations. He said that once they get answers to outstanding questions they can move forward with closing the process and getting to the FY19 audit. It turns out that Pacifica only owes Rogers & Co. about \$6,550, which is a lot less than some had thought we owed them. The auditor said that the biggest holdup right now is that KPFA as well as WPFW have a number of items that need to be worked through. The FY18 audit has taken more than eight months so far and it's not done yet. The June 30, deadline for the FY19 audit is less than four months away. I asked Mr. Diaz if he thought that we could get the FY19 audit done by the deadline of June 30. He said that once the auditors get the items from the list they have they can close out FY18 within couple of weeks. He said that they are only focused on FY18 now, and can't really speak to getting the FY19 audit done by the end of June at this time.

This isn't good. Pacifica needs the FY19 audit in order to file taxes, apply to the Corporation for Public Broadcasting (CPB) for grants, and be in compliance with the terms of the big loan. Also, WBAI and the other stations need a current, FY19, audit in order to apply for grants from all sorts of places. If Pacifica blows another year of CPB grants, etc. due to Staff at stations being non-cooperative with NETA then something really needs to be done about that personnel issue. The interim CFO said that NETA has three people working on the audits and they're committed to getting the FY18 and FY19 audits done on a timely basis. But they are also not being helped by having to work under two accounting platforms the *MAS 500* software NETA uses and the *Great Plains* software used by some Pacifica stations. Mr. Diaz said that in his experience, if a client is ready to go and if all records are ready you could get it done within four to nine weeks. He said he was optimistic the FY19 audit should go more quickly and cleanly

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than previous audits have.

George Walters, the other NETA worker, said that NETA is at the mercy of the stations; they didn't get a lot of the FY18 initial analysis until November 2019, and these are items that should have been done in October of 2018. He said that if the stations are not caught up on their own work or not cooperating with answering questions it's a problem. He said that FY18 is quite a mess because the former CFO and his number two person in the National Office both left in the Spring and they were a year and a half behind on their work when they left. Mr. Walters said that they still have about 105 adjusting entries on the audited trial balance.

Currently there is no engagement letter for Rogers and Co. to do Pacifica's FY19 audit.

In the course of the meeting it was stated that Pacifica currently owes NETA about \$170,000, and the interim CFO said that they'd like to see about half of that paid now. NETA's contract with Pacifica calls for a monthly fee of \$27,500.

The NFC discussed the Central Services formula. It was noted that for FY19 the stations were about \$342,000 short on Central Services payments, and about \$138,000 short through February for FY20.

The NFC Chair said that regarding the issue of a \$70,000 bequest from a WBAI listener the check was made out to Pacifica, not WBAI, but the interim CFO said that the \$70,000 was credited to WBAI as a Central Services payment. It was also noted that currently WBAI owes \$58,710 from FY20 and about \$240,000 counting past years' non-payments. This does not make WBAI popular with the rest of Pacifica.

NETA had prepared a Cash Flow spreadsheet for this meeting. It projects Pacifica ending FY20 with a \$519,975 surplus, but it shows WBAI ending FY20 with a deficit of \$183,594. It also projects PRA ending FY20 with a deficit of \$10,743 and that isn't good, especially since WBAI is behind on Central Services payments to PRA. There was a discussion of making everyone go to the *MAS 500* software, and the issues that would come from that. This Cash Flow spreadsheet will be discussed again at the next NFC meeting, if there is one.

There was a discussion of the need to make sure that NETA got paid soon.

NFC members were urged to bring the Cash Flow projection spreadsheet to their General Managers and discuss it with them. I sent the spreadsheet to the WBAI General Manager soon after the meeting. The NFC Chair said he is "extremely reluctant" to have that Cash Flow spreadsheet released to the general public.

There was another discussion of WBAI being in arrears with Central Services and other payments. The issue of the \$583,000 bequest from a WBAI listener that was booked to the National Office in July of last year was briefly discussed.

The General Manager has told me that the Winter on-air fund raiser raised a tally of about \$502,509. A daily average is difficult to calculate because of Management's new on-air fund raiser format of giving the listeners a break by not pitching all day during the on-air fund raiser, also some days of pitching were lost due to the PRA pledge day and the impeachment hearings. The General Manager says that the daily average was \$13,224. That's much better than it has been. I am interested in seeing how the Accounts Payable are affected by this on-air fund raiser.

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So if the bylaws hijackers get their way and can replace the current bylaws this will be my final Treasurer's Report, I think that the NFC will vaporize in that event also. It will be unfortunate if the current governance structure is replaced with one that seems to be deeply flawed from its inception. Whatever would happen to WBAI under that replacement bylaws governance structure would be unpleasant and counter productive to WBAI. The big cause of the failure of Pacifica to thrive is not the bylaws it's the people in Pacifica, and some of the worst people in Pacifica have created the replacement bylaws. If they manage to take over I think that they will find that they will have to deal with underhandedness and dishonesty among themselves.

If the current governance structure continues there will really need to be some personnel changes in Pacifica, or else it will fall apart irrevocably. How that could be accomplished is an open question, given how things have worked in Pacifica in the past.

So it now looks like Pacifica may not get the FY19 audit done in time to get CPB grant revenue next year. That revenue would be a big help in paying off the principal of the loan, but there would still be more than \$2,000,000 left to pay even if we get that CPB money. WBAI is projected to continue to operate at a loss for the rest of FY20. The KPFA tax issue seems to be getting handled, but there will surely be a financial hit to Pacifica from that. There are still people collecting paychecks in Pacifica who are not cooperating with NETA and the auditors, people who are hiding the true financial picture of some of the stations, and here are those who refuse to see the reality around them. On top of that Pacifica will have a big bill to pay for this rigged referendum on a bylaws replacement. I remain very pessimistic about the future of Pacifica and of WBAI at this point, no matter what bylaws Pacifica is operating under two weeks from now.

The next local Finance Committee meeting will be on March 18, 2020, at WBAI, and the next NFC teleconference meeting, if there is one, will be on March 24, 2020.

R. Paul Martin
WBAI LSB Treasurer