NFC Chair Report, 7/12/09

1. NFC met 7/7 and will meet on 7/14.
2.
2. **Wells Fargo Line of Credit** – NFC passed this motion on 7/7: "The NFC approves in principle the renewal of the Wells Fargo Line of Credit in the amount of $300,000, if it is secured by restricted National Office assets, rather than KPFA's unrestricted cash.

The NFC requests 1) that the CFO provide a written description of the assets to be used as collateral, and 2) that our corporate counsel provide a written opinion on the appropriateness of the use of these assets as collateral for a line of credit prior to PNB action." (passed as amended without objection)

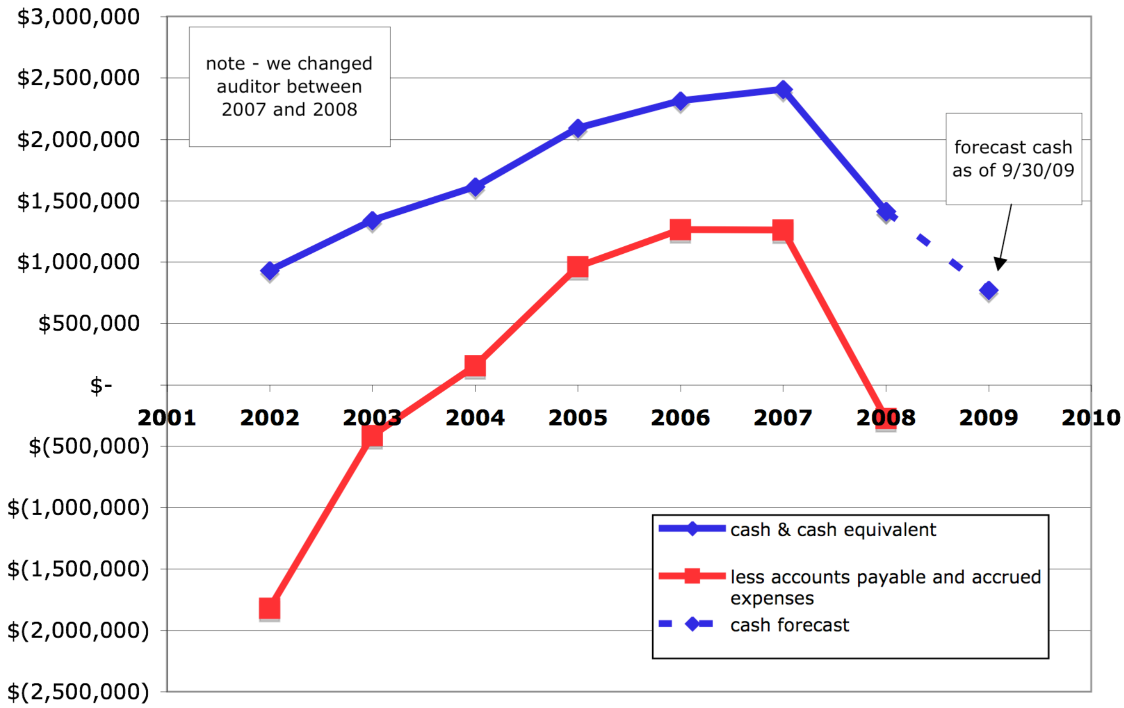
The CFO passed on to counsel the request for an opinion.

3. **Cash** – NFC reviewed a revised cash flow forecast provided by the national office on 7/7/09. (Thank you LaVarn and finance staff!) This document paints a grim picture:

- It projects $785,000 in cash foundation-wide as of September 30. This amount would cover less than three weeks of expenses for the foundation. Moreover, an improved forecast with more realistic projections predicts even less cash – around $500,000 – as of this date.
- Three stations – KPFK, WBAI, and WPFW – each will have less than $7000 in cash as of 9/30/09.
- The National Office projects a $347,000 cash deficit as of 9/30/09. We do not know how this need will be met.
- The only stations with cash reserves as 9/3/09 will be KPFA ($450K - $640K) and KPFT ($220K).
- If the Wells Fargo line of credit is renewed as planned, it will free up $400,000 more of KPFA cash, which will help.

Discussions of what to do about our looming cash shortfall have not yet been focused enough to come to a resolution. Does it make sense to get a real estate-backed loan given the current uncertainty of whether we can right the ship? Can we get a loan with our poor repayment history on the LOC? How to choose a property to mortgage so that all stakeholders will buy into it? Is doing emergency on-air fundraising the way to go? Can we scrape by and look to improving finances in the future as programming and management issues are addressed? There are arguments for and against all these approaches. Another as-yet-unbroached subject is contingency plans for WBAI (or any other unit) if it cannot correct its deficits, which are no longer supportable.

Here is a plot of Pacifica's "cash and cash equivalents" at the end of the FY since 2002. The numbers are from the audits. Note that we plan to end 2009 with one-third the cash we had at the end of 2007. We are trending to end 2010 with no cash at all.




4. **Performance in FY 09.** NFC continues to monitor network financial performance over the current fiscal year by means of income statements (aka profit and loss) provided by the national office.

The June statement shows continued shortfalls network-wide (numbers thru June):

- The foundation as a whole has run a deficit of $26,000, $1.05 million short of the budget target.
- KPFA has run a deficit of $334,000, which is $339,000 short of the budget target.
- KPFK has run a surplus of $282,000, which is $162,000 short of the budget target.
- KPFT has run a $50,000 surplus, which meets the budget target.
- WBAI has run a $227,000 deficit, which is $432,000 short of the budget target.
- WPFW has run a $180,000 deficit, which is $300,000 short of the budget target.
- NO has accrued a surplus of $388,000, which is $234,000 ahead of the budget target.

This does not translate directly in to cash in bank, as WBAI has not been paying Central Services. Despite that correction, I don't understand how to square the accrued surplus with the projected large cash deficit.

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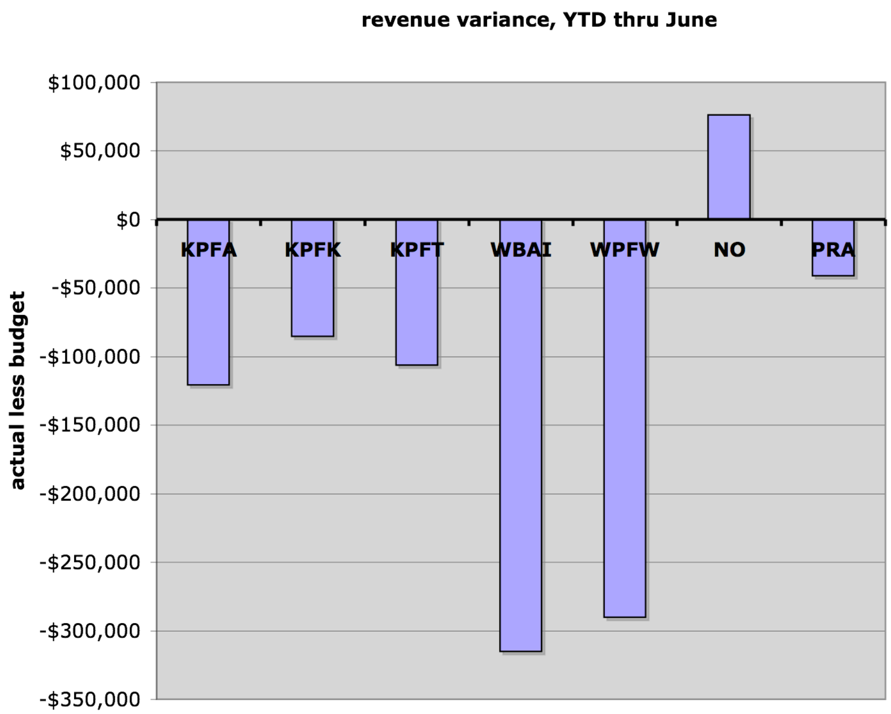
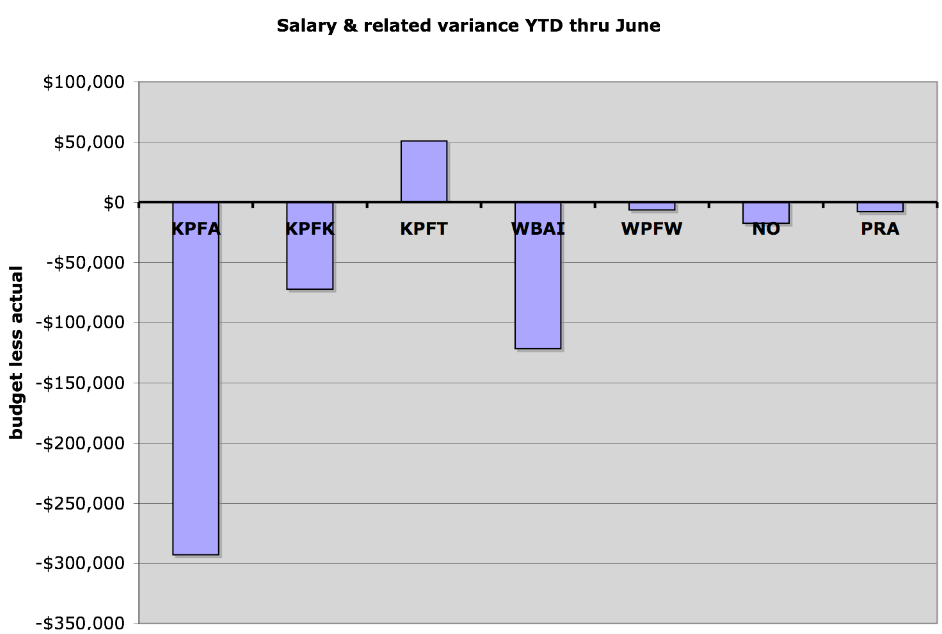
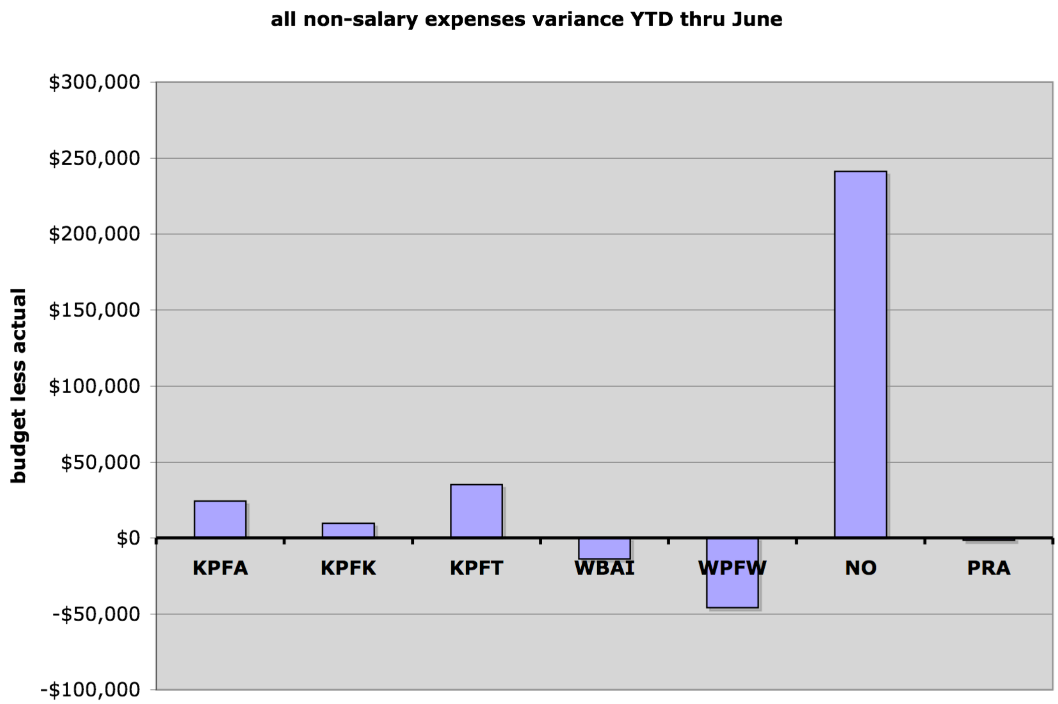
To better understand why most units are missing budget goals, I made three graphs that break out revenue, salary expenses, and all other expenses. First shows variance from budget goals for revenue. All units except NO are negative, meaning they are missing budget targets, with WBAI and WPFW the most extreme, at about $300,000. About $90,000 of WBAI's variance can be discounted as a bookkeeping artifact.




The second plot shows variance from budget goals for salary and related spending. Again, all units are negative save KPFT, meaning they are overspending on salary and related. The station with the most pronounced overspending on this line is KPFA, by close to $300,000.



The final plot shows variance from budget of all expenses other than salary and related (programming, administrative, development, and community events). In constrast to the other two categories, all units are doing pretty well here. The largest negative variance is at WPFW ($45,000) and is due largely to unbudgeted legal expenses. The large positive variance at NO is partly due to inexpensive PNB meetings.




In conclusion, it looks like we  are running shortfalls because 1) we are not bringing in enough money, and 2) we are spending more than expected on salaries.