

Minutes for the regular National Finance Committee meeting April 14, 2015.

Meeting convened at 8:35 PM (ET) a quorum being present, the Chair and Secretary being present.

Attending: Lydia Brazon, Adriana Casenave, Bill Crosier, Brian Edwards-Tiekert (Chair), R. Paul Martin (Secretary), Tony Norman, Michael Novick, Raul Salvador (CFO).

Agenda:

1. Call to Order (5 minutes)
2. Agenda Approval (5 minutes)
3. Minutes Approval (5 minutes)
 - A. Minutes of March 24, 2015 Public Session
4. CFO Report / Financial Statement Review (30 minutes)
 - A. FY2013 Audited Financial Statements
5. Stations with big shortfalls (30 minutes)
 - A. KPFA (-\$364k variance through February)
 - B. WBAI (-\$260k variance through February)
6. New Business (15 minutes)

Motion: (Tony Norman) "To approve the agenda" (Passed without objection)

Minutes Approval 8:37 PM (ET)

Motion: (R. Paul Martin) "To approve the minutes of the March 24, 2015, meeting." (Passed without objection)

CFO Report / Financial Statement Review 8:38 PM (ET)

The CFO reported that KPFA received a bequest in March in the amount of about \$558,000, in addition to the one reported at the last NFC meeting. Something in the office will be named after the donors. The CFO said he'd spoken to the Management at KPFA about helping KPFT with its transmitter project. KPFA Management has agreed to lend \$100,000 to KPFT. The loan will be paid directly to the National Office and the National Office will provide the money to KPFT. This loan will be paid by the ongoing capital campaign at KPFT. The CFO reported that all insurance coverage is up to date and current till end of 2015, including the Directors' insurance and the media liability insurance.

The CFO reported that the schedules used for the FY13 audit are not available yet. He said that he'd just sent out a new spreadsheet which shows a comparison of the FY13 audit to the FY13 budget. For FY13 Pacifica showed deficit of \$2,824,000 on a consolidated basis, which was about \$3,000,000 worse than budgeted. The primary cause of the deficit was a decline in revenue. Revenue was about \$13,000,000 which was about \$1,500,000 worse than budgeted. The shortfall was due primarily to not receiving the second half of the CPB grants in FY13. Expenses were about \$1,800,000 higher than budgeted; this was primarily owing to salary expenses around Pacifica which amounted to over \$1,003,000 more than budgeted. Also contributing to the deficit were expenses of about \$360,000 more than budgeted for consultants, these were mostly from the National Office hiring several agency employees from 2012, to the end of FY13. Legal fees were over budget by about \$235,000 and audit expenses were about \$47,000 over budget.

Regarding the stations' FY13 finances:

KPFA was about \$100,000 short on their revenue projection, primarily due to not receiving CPB funding. Expenses were over budget by about \$203,000 in salaries alone. KPFA's deficit for FY13 was about \$310,000.

KPFK's revenue was about \$165,000 worse than budgeted, primarily due to lack of CPB funding. "Salary and Related" expenses were about \$293,000 over budget. Salary was \$256,000 over budget. This resulted in the station being about \$392,000 worse than budget overall.

KPFT was about \$362,000 worse than budget, overall. Revenue was about \$356,000 below what was budgeted, however there was \$200,000 budgeted for the capital campaign that year, so it's more like about \$156,000 below what was budgeted. KPFT's CPB shortfall was about \$68,000. "Gross Salaries" was about \$44,000 over budget.

WBAI had a deficit of about \$866,000 which was about \$889,000 worse than budgeted. Revenue was about \$816,000 below what was budgeted. WBAI's CPB shortfall was about \$228,000. "Total Salaries and Related Expenses" were about \$388,000 over budget. "Total Expenses" were about \$366,000 worse than budgeted.

WPFW has a net deficit of about \$500,000. This was primarily due to a shortfall in revenue of about \$468,000, of which about \$60,000 was due to not receiving CPB funds, and a shortfall in "Listener Support" of about \$300,000. "Total Salaries and Related Expenses" were about \$182,000.

The National Office had an actual deficit of about \$800,000. This was primarily due to about \$278,000 because of hiring consultants, legal services of about \$275,000, and audit expenses which were over budget by about \$47,000.

Pacifica Radio Archives (PRA) was on target with their budgeted surplus. Their revenue was about \$65,000 better than budgeted and expenses were over by about the same amount.

The committee discussed the report. After some questions it was established that the spreadsheet

the CFO had been reading from, "Consolidated Statement of Activities (from Audited FS) For the Twelve Months Ending September 30, 2013," had not in fact been sent to the NFC. The CFO then sent the spreadsheet file to the committee. Members requested that the CFO not lock the spreadsheet files as that makes them difficult to open in some software. The KPFT Treasurer disputed the amount that KPFT was stated to be over budget on salaries. Concerns were raised over the continuing deficits, which are reflected in the FY14 statements and in the first five months of FY15. There was a question regarding any plans to get back on budget. The CFO said he was confidentially working with the stations, the PNB and the interim Executive Director on a plan, including adding on-air fund raiser days, but he couldn't discuss it in public session. The CFO said that last month he discovered that some payroll and personnel records were not in order, there were discrepancies in payments. He said he is rectifying things. The CFO said that he is hiring more people to help with the audit schedules for FY14. They are hiring an extra person in the National Office to assist KPFK, WBAI and WPFW. In response to a question regarding the CFO's previous statement that the FY14 audit deadline was today, the CFO said that he was having trouble accessing the CPB Web site, but he was requesting a special deadline extension from the CPB, he said that the FY14 audit wouldn't be done by May 15. He said that the CPB knows that we are having trouble accessing their Web site and that the FY14 audit will be a little delayed, and that we haven't done our AFRs for FY13, they are working with us. It was noted that the deadline could only be extended to June 30, 2015. A Director said that the PNB has passed two resolutions regarding access to the CPB Web site. The CFO said that the CPB had accepted the FY13 audit and was going to review it.

Stations with big shortfalls 9:16 PM (ET)

KPFK 9:16 PM (ET)

The KPFK Treasurer sent a number of documents to the committee. He said that the CFO had come down to assist the interim Business Manager; looking at FY15 they found that on the income side of the ledger nothing was entered with the proper codes. Someone had been entering information somewhere and using MEMSYS codes which don't correspond to Great Plains codes. The interim Business Manager is cleaning it up and catching up with previously unentered data from the last fiscal year. Revenue was lumped into "Listener Support."

They are trying to track down and match up invoices and payments from FY14. KPFK just did a one week emergency on-air fund raiser; it came close to raising \$300,000. Some of that is sustainer pledges. The shortfall this year shows how much the station is paying overdue accounts payable from previous fiscal years. They are not using a call center, people are entering data directly. Regarding cuts, the Union wants clarification on payments, record keeping was not good. The Union wants clarification of retroactive overdue payments on vacations. Other cuts would be benefits cuts. KPFK Management is sitting down with the Union, they are clearing up seniority pay and vacation pay and then they can look at reductions. They are looking at severance costs. The KPFK Treasurer said that he couldn't say more in a public session.

The committee discussed the report. There was a discussion of payables carrying over from FY14. The Chair said that FY15 was on track to show an end of year deficit of about \$800,000. It

was suggested that something may be wrong with KPFK's structural configuration, and the station may not have the time to rectify the data entries. There might be a need for an executive session to discuss some aspects of KPFK's situation. It was noted that KPFK is in the process of hiring a new General Manager. Similarities to WBAI's situation a couple of years ago were discussed. It was noted that Pacifica has already been sued over a bill that KPFK didn't pay, which added attorneys' fees to the payable. The CFO said that "Salaries and Related Expenses" is 67% of revenue and that's too high, there needs to be an evaluation of expenses. It was suggested that every General Manager should be required to submit a written plan.

Motion: (Michael Novick) "To extend the time for this item by 10 minutes." (Passed without objection)

WBAI 9:48 PM (ET)

The WBAI Treasurer said that the WBAI General Manager sent an E-mail apologizing for not being able to provide the NFC with any information at this meeting. The WBAI Treasurer read the General Manager's E-mail to the committee. The General Manager ended his E-mail saying, "... please accept my apologies and allow me a few days to get back in touch with you." The WBAI Treasurer asked if the WBAI General Manager was not in touch with the CFO, since the General Manager said that he'd only gotten the document titled, "Interim Preliminary Statement of Activities (Unaudited) For the Five Months Ending February 28, 2015" earlier that day from the WBAI Treasurer, but the CFO had sent it to the NFC last month. The CFO said that he couldn't find where he'd sent it last month so he'd sent the WBAI General Manager a new one this morning. The WBAI Treasurer said that the General Manager had sent a written report to the LSB last week which said that WBAI had \$29,500 cash in bank to meet payroll, the station needed to send \$4,200 to PRA, and needed to get \$9,000 for health benefits by April 15. The General Manager said that he expects to get to May 1, 2015. The report said that 1,700 premiums had been sent out, the move out of the CCNY studios is 95% done, and that WBAI has paid the Empire State Building for April. The report said that the landlord at 388 Atlantic Ave. In Brooklyn has taken back the lease proposal, which the PNB has not approved yet, and is amending it. The General Manager is awaiting this new lease proposal. The Treasurer said he doesn't know what the General Manager's plan for dealing with the FY15 deficit is, although this has been a topic of discussion at WBAI. Cash flow has been the real problem at WBAI, and getting information on that is difficult. Lumping all of the revenue into "Listener Support" does not help to determine revenue resources.

The committee discussed the report. The Chair noted that lease issues should be left for executive session, and that WBAI is slightly better than budget on expenses but is \$313,000 worse than budgeted on revenue and \$260,000 worse than budgeted overall. The CFO noted that WBAI has cut positions, the interim Program Director has gone back to his job and is on a limited consultancy now, the station is focusing on fulfilling premiums, and he expects the premiums to be caught up with in FY15; WBAI has mostly fixed costs for FY15. The CFO said that the National Office is working with the WBAI General Manager to prioritize expenses. In terms of accounting, the CFO said that the contractual \$55,000 per month for the Empire State Building rent is still being tracked. Regarding cash flow the CFO said that the WBAI General Manager has

to confer with the interim Executive Director and the CFO regarding expenses. The CFO said maybe we should look at WBAI's expenses again and see what can be controlled in terms of cash flow, or look for more income initiatives. The WBAI Treasurer told the committee that the General Manager told the LSB that WBAI is supposed to be out of CCNY by March 31, the Treasurer has not gotten an update on this. The General Manager has said that at some point WBAI will move its broadcast studios to the Brooklyn location, but that when the big studio build out happens the station will need to relocate its broadcast studio to another location for the months that the build out is happening.

New Business 10:04 PM (ET)

The Chair noted that PRA is operating in a deficit. A PNB member has brought a motion to delay the deadline for the plan to cut expenses at PRA. The PRA budgets says they're supposed to have a nationwide on-air fund raiser tomorrow, but the Chair assumes that it's not happening. After 5 months PRA is worse than budget by \$73,000. The CFO said that the PRA Director is working on the plan, but hasn't presented anything yet, the CFO said he didn't know if anything had been sent to the interim Executive Director; the National Office will propose cuts if there is no plan soon. There are areas of PRA's expenses that must be looked at. They haven't set anything up yet for a Spring on-air fund raiser. The CFO said that most stations, including WBAI, became current with their payments to PRA as of last month. If all of the stations comply with the \$17,000 payment to PRA then PRA will not be able to make their monthly payroll of about \$32,000. The CFO said that 70% of PRA's revenue goes to payroll, and that's an underlying problem that needs to be addressed. It was noted that the Autumn on-air fund raiser for PRA was short of goal by about 50%.

Adjourned 10:13 PM (ET)

Submitted by R. Paul Martin, Secretary.