

Minutes for the regular National Finance Committee meeting April 14, 2020.

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

Attending: Sharon Adams, Nick Arena, Teresa J. Allen, Fred Blair, Chris Cory (Chair), DeWayne Lark, R. Paul Martin (Secretary), James Sagurton, Anita Sims (interim CFO), Nancy Sorden, Polina Vasiliev, also attending was Pacifica interim Executive Director Lydia Blazon.

Agenda:

1. Convene meeting 8:30 PM (ET)
2. Roll call
3. Approve Agenda
4. Minutes Approval (5 minutes)
5. Discussion of Interim Financials to February 29 (30 minutes)
6. Shortfalls discussion (20 minutes)
7. Central Services Formula Discussion (20 minutes)
8. New Business
9. Adjourn no later than 10:15 PM (ET)

Motion: (Chris Cory) “To approve the agenda.” (Passed without objection as amended) 8:48 PM (ET)

Amendment: (Polina Vasiliev) “To remove ‘Election of NFC Chair and Secretary for 2020.’” (Passed without objection)

Minutes Approval 8:48 PM (ET)

Motion: (R. Paul Martin) “To approve the minutes of the March 10, 2020, NFC meeting.” (Passed without objection)

Discussion of Interim Financials to February 29 8:49 PM (ET)

The Chair read to the committee from his footnotes regarding the document “Pacifica Foundation Consolidated Monthly Income Statement For the Five Months Ending February 29, 2020,” which he had sent to the committee before the meeting. Below is an extract taken from the Chair’s written footnotes of what the Chair read to the committee.

Below each division, I have taken out “extraordinary expenses” and “extraordinary income” to come up with something that is “operable” for each station. Here is a station by station review of what is going on. Note, there is no analysis here- this is for Q&A tonight- only “footnotes”. See summary below for overall review. NOTE: Fund Drive Days are part of a separate study that I am trying to complete today.

KPFA

Even though the bottom line for KPFA is upside down from a year ago, this is due to the lack of major donor funding in the first (5) months of the FY. Major donor funding was -90% during the period, or nearly \$700k. Backing this out of last year's results creates a clearer image of what is transpiring.

This is the only station in the network that has seen a cost increase over last year (+7%). Listener revenue is up a whopping 40%.

KPFK

KPFK is on a nearly identical path to KPFA on the revenue side, with listener revenue up 8%, and major donor funding -90%. Backing out extraordinary income, the operating losses at KPFA have also narrowed -vs- last year. Expenses fell 3% at KPFK in the first (5) months, due entirely to a decline in development expenses.

KPFT

KPFT is one of two stations that showed a decline in listener revenue (3%). They achieved an improvement in operations due to a 15% decline in expenses due to a 60% decline in development expenses. KPFT was one of only two stations showing operational gains at month 5.

WBAI

WBAI is the second station that showed a decline in listener revenue (4%). However, the revenue stream was interrupted in October due to the shutdown. Since that time, WBAI has been performing well, with the exception of January, which represents about 2/3 of the YTD loss this station is showing.

Operational losses are +2% from the same period last year (-21% -vs- -23%), due to a reduction in expenses of 7%. The 7% reduction was due entirely to lower personnel costs, which are down 12% for the year to date (YTD) period.

WPFW

This station continues to be the shining star of the network, with operational results improving 12% Year Over Year (YOY), from 3% to 15% net. This was due to an 8% increase in listener revenue in addition to a 7% decline in expenses. The lower expense total was driven by a 9% drop in personnel expenses coupled with a nearly 100% decline in development expenses.

NATIONAL OFFICE

The national office is also seeing improvements in operations, with a 10% decline in expenses from the similar period last year.

PRA

Similarly, the archives achieved improvement in operations through a 20% cut in expenses.

Summary

Overall, the network is showing fairly good results in the review period, with listener revenue up 14% in the first (5) months, and costs declining 4% network wide. We survived a drastic downturn in major donor revenue, which fell by \$1M, by cutting costs \$200k. However, it is concerning that the cost cutting was done mostly on the backs of development- a fact that we need to discuss fulsomely.

The ongoing pandemic has unknown consequences for the network, but we can presume that it won't be good. In order to achieve the same results in the next (5) months as we did in the first, it will be necessary to analyze each station for areas that can withstand a cut, and focus attention on them. Here are the individual stations "operating margins (OMOS) -vs- listener revenue" for your review:

Station	>Feb 19 OMOS	>Feb 20 OMOS	Net Change
KPFA	-20%	-2%	+18%
KPFK	-19%	-5%	+14%
KPFT	5%	16%	+11%
WBAI	-23%	-21%	+2%
WPFW	3%	16%	+13%

As you can see, this is all heading in the right direction, if we remove the extraordinary income and expenses from each division. If those numbers are added back in, we arrive at the consolidated statement, which shows a small gain for the year, but significantly lower results due to the \$1M decrease in major donor funding in the first five months of last year. There is a clear need for operational improvements, as three of the five stations are showing operational losses.

Please review these results with your individual GM's and report back on any errors or discrepancies so that we can review and correct them before sending them on to the PNB. Since there is no meeting this week, try to get this done by next Tuesday, please.

The committee discussed the Chair's presentation.

The interim Executive Director said that looking at these figures versus the current reality there's a stark difference; there are challenges at the National Office that pre-date the pandemic. She said that everybody's always late and that needs resolution. She said that these figures were a kind of a distorted reality for her.

The KPFT representatives said that the station has had an almost 40% drop in revenue, and that the 57% drop in Development Expenses might explain some of that because it relates to premiums being sent out. The KPFT Treasurer said that their last on-air fund raiser raised more money without people expecting premiums. The KPFT Director said that the KPFT Treasurer has been asking their KPFT interim General Manager for four months to negotiate with AT&T,

but KPFT has lowest phone costs.

In response to a question the WBAI Treasurer said that the personnel expenses at WBAI were lower because a worker had left the employ of the station because he had a severe medical problem and he was not replaced.

The committee discussed the Subsidiary Communications Authority (SCA) revenue. The interim Executive Director said that she had deposited a \$10,000 check from the Korean language sideband. She said that that was one of our healthier SCA clients, but that Pacifica needs to retire some SCA clients because they don't keep paying. There was a further explanation of the SCA itself.

Motion: (Chris Cory) "To extend the time for this item by 10 minutes" (Passed without objection) 9:25 PM (ET)

The committee continued discussing SCA issues. The WBAI Director told the committee that the WBAI local Finance Committee had passed a motion regarding a proposal of how the SCA revenue should be handled. The WBAI Treasurer sent the motion passed by the local Finance Committee to the NFC. The Chair said that we should discuss this topic at the next meeting.

Motion: (Chris Cory) "To extend the time for this item to 9:40 PM (ET)." (Passed without objection) 9:33 PM (ET)

The committee discussed National Office expenses. It was confirmed that the National Office Personnel Costs are lower because the current interim Executive Director is not being paid and for a period of time there was no interim Executive Director, and for a short time there was no interim CFO. The Chair asked what the Board Expenses of about \$261,000 were. In answer to a question the interim CFO said she'd send the committee details on that. The interim Executive Director said that the PNB and its committees have meetings that all entail phone expenses. She said that there is also a difference in how board elections expenses are allocated. She said that Pacifica needs to have policies that can guide NETA about these things because policies have changed without policies having been changed. The interim Executive Director noted that the recent referendum will cost Pacifica about \$102,000 and the question is how to allocate that throughout the network. She said that she'd spent time tracking down the details of a bill from a place that said they'd sent Pacifica \$73,000. She said it was difficult to track down what it was for and where it was sent. She said she'd found \$800 of it at one station, and she was trying to get to the bottom of this issue. The interim Executive Director said that if a bill is just a stations' bill then they can pay it directly rather than going through the National Office. She emphasized that we have to develop policies because it looks to her like we've been making policies up as we go along.

The committee discussed the Pacifica Radio Archives (PRA). The interim Executive Director said that PRA always makes their payroll and they usually do better on their one day network-wide on-air fund raiser than they did this time. She said PRA is trying new things like veering away from CDs and going to subscriptions. She said that PRA has ample opportunities for grants

they could apply for but can't because the audits are not there. She said that PRA is going for what grants they can apply for that don't require a current audit and PRA is doing things with schools that will bring revenue in. She said that Pacifica is crippled by not having up to date audits. She said that PRA is applying for a \$75,000 grant from the Golden Globes, but there are much larger grants that people have approached them about but which they can't get due to not having audits.

Shortfalls discussion 9:47 PM (ET)

The Chair read a "Shortfall Summary" for the five months ending February 29, 2020, which he had sent to the committee before the meeting. Below is an extract taken from that document that the Chair read to the committee.

"Since the NATIONAL OFFICE is relied upon as a backstop for shortfall, any shortfall in Central Services (CS) deprives the 'slush fund' used for exigent circumstances.

If you compare the attached summary to the P&L sent earlier today, what you will see is that the net gain at the NATIONAL OFFICE is less than the shortfall in payments. Since the reporting for CS is done on an accrual basis network wide, the 'income' in this section of the report for the NATIONAL OFFICE has to be done the same for the NATIONAL OFFICE for the books to balance. What this means is that there is 'overreporting' of income on that section of the report, which is balanced by 'overreporting' of payments in the five stations (resulting in a net zero on the balances shown on the CONSOLIDATED tab). But what this also means is that the NATIONAL OFFICE has LESS reserves than it did five months ago:

Gain reported on 2/29 financials = \$191,197

Shortfall indicated in the attached = \$219,315

Net reserves reduction = \$28,118

When situations emerge where stations can't make payroll, the network is LESS equipped to deal with it now than five months ago, even though we are showing a net 'gain' on the books."

The interim Executive Director said that there was a lack of order in terms of where things are and the history of Central Services. She said that Pacifica used to get Corporation for Public Broadcasting (CPB) grants and had higher Central Services and that that's when Pacifica came up with a system for bill backs. She said that this made the National Office the credit card for the stations. She said that in this current reality this way of doing things is nonsensical and we need to bring order to it. She said that right now the National Office doesn't have Central Services revenue from stations and yet we have expenditures that only the National Office can pay, like big legal bills. She said that it makes no sense to pay everybody's bills and then bill back to the stations. She said that an analysis must be done to give people an idea of what's happening. She

said that there was a need to have revenue and expenses in categories because an Executive Director will need it. She said it was very chaotic for her to have to research everything that needs to be paid, and that the NFC needs to come up with recommendations for policies for the PNB. The Chair asked if the interim Executive Director and interim CFO could put together a listing of the expenses that seem somewhat nebulous in terms of how they're being spread across the network so we can start to grapple with it. Both the interim Executive Director and interim CFO said they would work on this. The interim Executive Director said that determining who pays for what legal expenses needed to be established and that there needed to be governing policies that people can refer to. In answer to a question the interim Executive Director said she'd get the old policy documents that had been generated by a previous Executive Director.

It was noted that the PNB had referred the SCA motion to the NFC. The interim Executive Director said that she'd put together some information about the SCAs for the next NFC meeting.

In answer to a question the Chair said that the auditing firm has all the information they need for the FY18 audit, and the last bit of information had arrived earlier on the day of this meeting. The interim Executive Director said that the new Strategic Planning Committee of the PNB has not met yet. She said that Pacifica did apply for the CARES Act loan, and they kept it within realm of not paying it back. She said they could pay Staff, and stations can then make Central Services payments. She said that then NETA can be paid, etc. She said that Pacifica has applied for the California emergency funding program; the California program had said that they'd give \$10,000 right away but they haven't. There was a further discussion of how to deal with any revenue from the federal and state programs.

Call for the orders of the day (Chris Cory). 10:15 PM (ET)

Adjourned 10:16 PM (ET)

Submitted by R. Paul Martin, Secretary.