

WBAI Treasurer's Report  
December 13, 2017

The National Finance Committee (NFC) met on October 18, November 14, and December 12, 2017. The local Finance Committee met on November 2, and attempted to meet on December 7, 2017.

The entire October 18, 2017, NFC meeting was held in executive session. The report out for this meeting was, "The NFC went into executive session to discuss financial, real estate and legal issues of a confidential nature regarding the consequences of the Empire State Realty Trust (ESRT) judgement."

The NFC meetings scheduled for October 24, and 31, were cancelled due to no station budgets being available for discussion, no new financial information from the National Office being available and the announcement that the CFO would not be able to attend the meetings.

The local Finance Committee met on November 2, 2017. The General Manager once again did not attend the meeting. As a result the local Finance Committee couldn't ask the General Manager questions regarding the state of WBAI's finances and what he's doing about it all. The committee also would like to ask about the details of the General Manager having cancelled the Yellow Magnet contract. We do not know exactly when WBAI cancelled that contract, nor do we know for certain how much WBAI paid for that "service." It may have been the full \$50,000 called for in the contract.

At the November 14, 2017, NFC meeting the CFO said that people want us to wash our dirty linen behind closed doors.

The committee voted to go into executive session, without having given seven days' notice of an executive session. I raised a point of order about this, the Chair ruled we could go into executive session without notice, and I appealed that ruling. In the end the Chair's ruling was upheld by a vote of 6 for, 1 against and 1 abstention.

Before going into executive session the CFO said, he didn't want to create unnecessary panic in these difficult times. He said that it's the cash liquidity that's the challenge. He said that Pacifica has assets that can satisfy all debts, and the only issue is what can we liquidate.

I asked the CFO about the WBAI FY18 draft budget. He said that he was sending one person from the National Office to WBAI to obtain credible information. This has since been done. The CFO noted that there is no Business Manager at WBAI so it's difficult to produce timely information. He said that because of the Empire State Building judgement we have to review past Central Services and make accruals current. He said that the National Office had started on the WBAI draft FY18 budget but they had to suspend that project; he said that they would resume working on it soon. He said that he couldn't provide a firm date because the National Office Staff is so busy.

The CFO said that work on the FY16 audit also had to be suspended, but that the National Office was resuming work on it. He said that the National Office needs skilled Staff, not

(MORE)

people who can only do basic accounting.

Pacifica is also delinquent on filing and funding pension plans. The deadline was months ago. The CFO said that once Pacifica does file the paperwork for the pension plans the organization will be hit with fines. The CFO said that he didn't know how big the fines would be, but that they might be \$100 for every day that the filings and funding were late or it could be as high as \$1,000 a day. He said that some stations can't fund their pension obligations. The CFO said that station Managements' plans to fund the pension plans need to be filed as well, and if there are no plans the fines will be higher. The CFO said that he and the interim Executive Director were meeting with the Unions to devise a plan.

The report out from the executive session was, "The NFC went into executive session to discuss financial, real estate and legal issues of a confidential nature regarding the consequences of the Empire State Building judgement."

Just before the November 14, 2017, NFC meeting the CFO issued a Profit & Loss statement (P&L). The WBAI P&L through August 31, 2017, shows the station to be running a deficit of \$438,743. Pacifica overall was \$133,269 in the black in this P&L.

Both the open and executive sessions of the November 28, 2017, NFC meeting were cancelled after the open session failed to achieve a quorum. Only four members attended.

The local Finance Committee had scheduled a meeting for December 7, 2017. Committee members asked if I'd gotten anything from the General Manager in advance of the meeting. I had to tell them that I had not. The local Finance Committee members concluded that the General Manager would once again not attend the meeting, and so the local Finance Committee did not achieve a quorum on December 7. The committee did discuss the possibilities of what might happen with regard to the ESRT judgement. During this meeting one member said that there was an art work that was part of the Art Auction that was being auctioned at a much lower price than it was worth.

The December 12, 2017, NFC meeting was held entirely in open session. The CFO reported that the options for payment of the ESRT judgement are not very clear; Pacifica is currently pursuing a loan. He said that the broker firm is taking the necessary steps, but he's not sure how it will progress and he's not sure about the feasibility of getting a loan. He said that the National Office now has to switch its attention to preparing for the FY16 audit. The CFO said that the National Office had been preparing for filing for bankruptcy, but now they have to switch back to routine business. He said that the National Office had requested an extension until May 2018, to get the FY16 audit filed, but they have gotten notice that they have to complete it by February 10, 2018. The audit has not started yet, and the CFO said it would take at least three months to complete. He said it looks impossible to meet that deadline, the National Office will again request an extension, but the CFO said that it's not looking good because the National Office is not getting quality information from some of the stations. The CFO said that there were Staffing issues at the National Office and they will probably need to hire temporary Staff. The CFO said that there are two California governmental bodies each of which could revoke

(MORE)

Pacifica's not-for-profit status if the FY16 audit does not get filed by the deadline. He said that the FY17 audits will be due soon as well.

There are two additional audits going on besides the general Pacifica audit, those additional audits are for the pension plans and the 401 (k) plan. He said that these other audits are proving to be very complicated, with Union agreements and retirement time needing to be taken into account. He said that no in-house person can do this accounting work. He said that there were confidential matters around these audit issues that can't be discussed in open sessions but that he'll provide a detailed report to the PNB and NFC on them.

The CFO said that there needs to be someone working for at least 15 hours a week on WBAI's accounting, instead of the current situation where someone spends about four hours a week on it.

Most of this NFC meeting was focused on the KPFK draft FY18 budget proposal.

The General Manager sent me an E-mail from the National Office Senior Accountant which requested nine missing or inappropriate for FY16 audit schedules. I do not know if these problems were ever rectified.

The WBAI Fall 'thon was extended by an additional week. The General Manager sent me a spreadsheet that says that WBAI raised a total of almost \$426,000 during the 35 days of this 'thon, but there are caveats. The General Manager told me that for the Gary Null retreat premium, which brought in a lot, the tally is only counting the \$500 that comes in from the donations, not the full \$2,500 premium price. The \$2,000 difference is the cost of the retreat itself. The General Manager also said that there is a lower fulfillment rate on that premium due to people balking at the plane fare to the retreat's location.

WBAI also used the "Stainless Steel Emergency Potable Water Filter" premium, which has posed problems with shipping and costs for other stations in the past. One day of that Fall 'thon was devoted to funding the National Office.

Using the General Manager's figures the daily tally for the Fall 'thon would be a bit more than \$12,000 a day. This rate is not enough to make WBAI self-sustaining. The General Manager said that the fulfillment rate is only 75% so far, but he will try to increase that.

The WBAI December 'thon is currently ongoing. From the daily information which Management has provided the first week's tally was about \$60,000. That's a daily tally of just under \$8,600 a day.

I have had an exchange with the General Manager regarding the Art Auction. At the October LSB meeting the General Manager said that the Art Auction, which was held on November 16, 2017, would bring in \$100,000. The Art Auction is being continued on a discounted basis at this time. I have asked the General Manager for the revenue and expenses for this off-air fund raising event. The PNB has mandated since 2012, that for these kinds of events station Management must produce a revenue and expenses projection before the event, and the actual revenue and expenses after the event. The General Manager forwarded my query to the

(MORE)

interim Development Director, who sent me what can only be described as a belligerent reply. In any event, it appears that WBAI Management has not prepared the required revenue and expense projections for this event, which is more evidence that Management is not able to account for the station's revenue.

There are many rumors going around regarding the ESRT judgement and what Pacifica is going to do in order to pay it. ESRT has not moved on Pacifica's liquid assets yet, although they could if they wanted to. There is no guarantee that they will hold off on doing that indefinitely. The CFO has clarified that Pacifica is currently pursuing getting a loan to pay that judgement, and that preparation for filing for bankruptcy is no longer being worked on by the National Office. This means that the National Office *had* been working on preparing to file for Chapter 11 bankruptcy.

A loan is not the end of the ESRT judgement problem. There are those connected with Pacifica who want to sell or swap a license, some specifically want to sell or swap WBAI's 99.5 FM license. It is possible that they will continue to advocate for that sale or swap after the ESRT judgement is paid off via the loan. The loan may only be an opportunity for those who want to have a sale or swap to further agitate for their point of view. It is also important to remember that WBAI has not paid the Empire State Building (ESB) anything at all since May of this year. Demand for payment of that bill may follow immediately upon payment of the ESRT judgement, which is nominally \$1.8 million but which will probably be over \$2 million. And then there is the ESB rent going forward to the end of 2020.

In the midst of all this we are not getting timely accounting from the National Office, and not much accounting at all from WBAI Management.

The fact that there is now another threat to Pacifica's not-for-profit status if a deadline which the CFO says is impossible to meet is not met may soon become the biggest crisis in Pacifica, even surpassing the payment of the ESRT judgement.

Change is coming to Pacifica, one way or another.

The next NFC meeting is set for December 26, 2017. The local Finance Committee is being polled for the committee's next meeting date.

R. Paul Martin  
WBAI LSB Treasurer