

WBAI Treasurer's Report
April 10, 2019

The National Finance Committee (NFC) met on August 14, September 11, October 9, November 13, and December 11, 2018, February 12, March 12, and April 9, 2019. The local Finance Committee met on October 25, and November 29, 2018 and on January 17, and March 14, 2019.

At the August 14, 2018, NFC meeting the committee discussed draft FY19 budget proposals. I reported on the discussions the WBAI local Finance Committee had had with the WBAI General Manager regarding the draft budget, the details of which are in the August 8, 2018, Treasurer's Report.

At the September 11, 2018, NFC meeting the committee received a report from the Executive Vice President of the National Educational Telecommunications Association (NETA) Anita Sims. As previously reported NETA has been retained to take over Pacifica's financial functions. Ms. Sims recounted the difficulties that NETA was running into with not being able to receive information as they tried to come to grips with Pacifica's financial situation. She said that NETA has a new strategy to move forward and deal with the auditors and the FY17 audit, she said another team was working on the FY18 audit. She also said that NETA has someone working on Pacifica's pension plan, which has been in arrears for years. She said that NETA has written up recommendations which they gave to the interim Executive Director. One of the things NETA discovered when they began to work with the auditors was that FY16 had not been closed on the system and no one in Pacifica knew how to close it. NETA was looking to get full access to the Great Plains accounting software that Pacifica uses so that they can close the FY16 books and start moving forward. Ms Sims told the NFC that NETA had helped the auditors file the FY17 990 form place holder and that they'd met the deadline for doing that.

At this meeting the NFC also went over the progress of the various draft FY19 budgets. No actions were taken regarding the budgets, although there were discussions about them.

At this meeting the NFC passed the following motion: "That the NFC recommend that the PNB direct the interim Executive Director to direct each unit to prioritize NETA interactions, and that each unit should report on said work in progress, or explain why said work is being delayed within four days." (Passed without objection). I do not know if the PNB acted on this recommendation.

The Chair told the NFC that the PNB had not passed the motion regarding bequest procedures, which I had brought in June and which simply stated that stations would get credit for bequests in their listening areas. After this meeting I informed the General Manager and the interim Program Director of WBAI of this and told them that a cart should be put on the air telling listeners who want to leave a bequest to WBAI that their bequest should state explicitly that the bequest was for WBAI.

A week before the October 9, 2018, NFC meeting the committee Chair resigned as Chair.

At the October 9, 2018, NFC meeting the new Executive Director of Pacifica, Maxie C. Jackson III, attended. He also inherited the position of interim CFO from his predecessor. The Executive Director introduced himself and said that he was still familiarizing himself with Pacifica, since his transition period with the interim Executive Director had been very short. He emphasized that he is a big advocate of best practices. He said he wanted to reduce costs, but knows that stations want financial autonomy. He said that he needed to assess how deep Pacifica's relationship with NETA should be, and that we needed consistency in the way we conduct business, which would also make audits easier. He said that he had good connections with people in the CPB. He said that Pacifica needs to do things differently. He said that he's still learning who people are, and he wanted Staff information for each station. He said that Pacifica stations can't operate with textbook programming and expect to generate audience, and that no stations that work have patchwork schedules. He said that he would mostly operate out of the Washington, D.C. area but would travel a lot.

At this meeting the NFC had a short discussion about the WBAI draft FY19 budget. I told the committee that the General Manager's draft FY19 budget projects revenue that seems unlikely to pan out. The General

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Manager's projected daily tallies were much higher than the station's experience with the most recent on-air fund raisers. I told the NFC that it looked like the deficit would be worse than the General Manager had projected, and that the station was pitching for too many days. I also noted that the General Manager hadn't shown up for the last local Finance Committee meeting which makes it harder to reach an understanding on a realistic FY19 budget. I also told the NFC that the General Manager had told the local Finance Committee that there are a number of bequests coming, which he hopes will put WBAI in the black.

At the October 25, 2018, local Finance Committee meeting the General Manager gave out a number of financial documents. The General Manager said that the National Office is keeping the Empire State Building (ESB) costs on WBAI's list of outstanding expenses. This brings WBAI's indebtedness to over \$2.7 million. The General Manager and the committee members said that we all hoped that the National Office would remove the ESB debt from WBAI's total expenses soon. Committee members had questions on a number of the items in the General Manager's documents, including negative numbers as a bank balance. Members of the local Finance Committee had problems with how the accrual and cash were being handled in the documents. One of the members offered to help make them more in keeping with proper bookkeeping procedures.

The General Manager reported that some expenses had been reduced, and that WBAI then owed WPFW only about \$12,000, and WHCR only about \$2,000.

The General Manager said that WBAI had about \$800,000 in bequests coming to it. The committee discussed the resistance of some in Pacifica to allowing WBAI to get credit for bequests that are obviously meant for the station.

The General Manager said that the station's Nielsen ratings were going up.

The local Finance Committee worked on the draft FY19 budget and found that it would take 193 days to raise enough money to break even, which is too many days to spend pitching. It was agreed that there was no way around the draft FY19 budget ending in a deficit. The committee agreed on \$7,500 a day as the projected daily tally for all on-air fund raisers.

At the November 13, 2018, NFC meeting neither the Executive Director nor anyone from NETA attended. The KPFK Treasurer said he'd spoken to the Executive Vice President of NETA and she had told him that NETA's access to information has improved. He said that NETA says that the software called Sales Force is an industry standard for non profit media and they'd like to replace MEMSYS, which Pacifica has been using for decades, with it. The KPFK Treasurer reported that NETA wants to implement an on-line time management system. The system has been selected and will be implemented system-wide. NETA says that it should relieve the back and forth between units and the National Office.

Before this meeting the WBAI General Manager had sent me the WBAI draft FY19 budget. I sent it to the NFC and I told them that the General Manager is projecting 143 days of pitching with a daily tally of \$7,500 and he's projecting a year end deficit of about \$254,000. Listener support is projected to be about \$898,000, and a total revenue of about \$1,374,000. I noted that there would be another local Finance Committee meeting with the General Manager on November 29, to go over the draft FY19 budget with him some more.

At the November 29, 2018, local Finance Committee meeting the General Manager gave his accounting of the progress of the Fall on-air fund raiser. He said it had raised a tally of \$268,325 after 35 days of pitching for a daily tally of \$7,666. The on-air fund raiser had been extended by a week. This on-air fund raiser, unlike some previous ones, had made the goal projected for the draft FY19 budget.

At this meeting the General Manager asked me to bring up the issue of Pacifica not having signed WBAI's lease for the 388 Atlantic Ave. premises at the NFC if the Executive Director was there.

The General Manager told the committee that WBAI had \$18,457 cash in bank on that date.

The committee discussed the issue of the pension plan arrears and penalties. The General Manager said

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that Pacifica had hired someone to help mitigate the penalties.

The General Manager told the committee that he had been regularly meeting with NETA on WBAI's finances for 10 to 12 weeks and that he thought it was going well.

The General Manager and the committee discussed the issue of the Jim Krivo bequest not having been credited to WBAI even though the executor of Mr. Krivo's estate has specially stated that the bequest was to be credited to WBAI. Committee members suggested consulting a tax attorney to get an opinion on whether the stipulation from Mr. Krivo's estate executor was legally binding.

The General Manager said that the debt to WPFW was now down to \$10,000 and that he would send them more soon. He said that WBAI's local bills amounted to about \$51,000.

The committee worked on the draft FY19 budget some more at this meeting.

At the December 11, 2018, NFC meeting The Executive Director reported that one accountant is working in the National Office; her name is Juhandryn Dessames and she is assisting with NETA's acquisition of financial materials. The Executive Director said that Larry Dankner of NETA was assuming the interim CFO position, and that the specifics of the interim CFO title were being worked out with NETA, and Ms. Dessames is helping with that transition. He said Ms. Dessames was being promoted to the title of Operational Controller. The Executive Director said that Ms. Dessames has offered to travel to WPFW and WBAI to assist with NETA's transition, and the Executive Director will be available for such visits as well. He said that with NETA taking over financial management and accounting for all of Pacifica the pressing matters include: reevaluating Central Services fees to make sure that the formula that has been used is not outdated, and considering group buy membership opportunities with the National Federation of Community Broadcasters (NFCB) and also considering affiliation with the Greater Public Organization, which he told the NFC is the foremost authority on revenue generation in the public service media industry. The Executive Director said that he wanted all of the Pacifica stations to be members of the National Federation of Community Broadcasters. He said that membership would make Pacifica eligible for a drastically reduced fee structure for Sound Exchange for playing music, it would be about \$250 per station for Sound Exchange fees whereas now it's \$2,000 to \$2,500 per station.

The Executive Director agreed that any change in the Central Services formula would have to be approved by the NFC.

At this time I told the Executive Director that the WBAI General Manager had told the WBAI local Finance Committee that he would like for Pacifica to finally sign the lease for 388 Atlantic Ave. The Executive Director said it was the first he'd heard of it and that he'd investigate the issue.

Also at this meeting Anita Sims, the Executive Vice President of NETA, gave a report. She said that NETA's primary focus is on getting the FY17 audit done. They were still having some difficulties with getting information. She said that they had changed their strategy of how to acquire some of the information that they didn't have access to, and they wanted to get the audit done by January 31, 2019. They have added more Staff to meet that goal. As part of their oversight NETA ordered scanners for each station which allow NETA personnel to view any checks, invoices and other financial documents written at the stations. Ms. Sims said that as soon as they get the FY17 audit done they'll go to the FY18 audit. She said that Larry Dankner would be interim CFO for short period of time. Ms. Sims said that the stations could expect to receive balance sheets and income statements specific to each station.

At this meeting the NFC passed the following:

Motion: "Whereas the National Finance Committee (NFC) is established in the bylaws of the Pacifica Foundation which state that the NFC, 'shall review and recommend the annual budget for board approval and shall monitor and report Foundation financial activities at least quarterly;'

And whereas the Pacifica National Board (PNB) has taken out a loan which will have to be paid back on a schedule;

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And whereas neither the full cost of the loan nor the schedule of payments are known to the NFC;
And whereas the PNB has not formally given the NFC information regarding this loan or the plans to repay it;

And whereas the NFC cannot be reasonably expected to approve and recommend to the PNB budgets without knowing the full extent of the Pacifica Foundation's indebtedness, and the amount of revenue that each station will need to budget for the repayment of the loan;

And whereas the NFC cannot reasonably be expected to monitor and report Foundation financial activities without full knowledge of this loan;

Therefore the NFC requests that the PNB give the NFC the full information regarding the loans that have been taken out, including but not limited to the full terms of the loan and what the current plans are to repay both the interest on the loan and the principal including efforts to investigate the potential of refinancing the loan including efforts to investigate the potential of refinancing the loan.” (Passed without objection)

For some years the local Finance Committee had been requesting that the General Manager send the committee financial documents before the meetings. Before the January 17, 2018, local Finance Committee meeting the General Manager did indeed send the financial documents that the committee had been requesting. The committee members were glad to see this development.

At the January 17, 2018, local Finance Committee meeting the General Manager told the committee that Pacifica had signed a contract with NETA the previous week. He said that NETA would be working with WBAI in a slightly different way from the other stations. He said that he had the scanner that sends data directly to NETA, and that they had wanted to see the WBAI bank statements from October 2016, to date. The General Manager sent that information to them. He said that he had sent that information to the National Office numerous times but they always asked for the documentation again. With NETA he only had to scan the documents in once. In an E-mail to the committee the General Manager said, “They [NETA] have everything they need and ask from us - only problem is cash account reconciliation - NO [National Office] confused cash for certified check with cash withdrawn for event and returned to cash. I have two potential accounting who may have to spend enormous amount of time with me re-creating the trail thru a spreadsheet with documentation. A nightmare.”

He said that the BAI Buddies project was continuing to increase donations.

The General Manager said that reconciling cash for WBAI is not orderly, but that everything else at WBAI was ready for the auditors. He said that WBAI was still struggling with cash flow, and that the station needed \$30,000 for the February 1, payroll. He said he was eager for NETA to take over and show WBAI's cash situation. He said that he was concerned about the reach of NETA with regard to WBAI because Paid Staff cover shifts and get paid right away. He said that he needed to find out from NETA how this was going to be done from now on. He said that he was eager to have the audits done so that WBAI could apply for grants. He said that to save time the station is applying for grants now and sending the potential grantors old audits with the plan to send them the new audits when they get completed.

The General Manager said that NETA is making sure that Pacifica complies with all of the requirements of the loan.

The General Manager told the committee that WBAI had paid in full for the copier/printer and that the station's monthly bill for it would be reduced by about \$1,200. He said that with rewiring the office the monthly Internet bill would go from about \$998 to about \$550. He said that WBAI's EEO and quarterly reports had been filed early.

The committee discussed the pension plan problems and the handling of the Krivo bequest by Pacifica. The General Manager told the committee that a number of Community Events were coming up.

He said that the December mini-thon had been extended to a total of 17 days. The General Manager said

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that the on-air fund raiser had raised \$126,365 for a daily tally of \$7,433, which is close to the projected daily tally in the draft FY19 budget.

At the February 12, 2019, NFC meeting the Executive Director told the NFC that the Pacifica Foundation had joined the Greater Public Organization. He said that the Operational Controller has established electronic portals for payroll, Human Resources benefits and pension plans. NETA is maintaining those portals and they are working with the third party pension people.

The Executive Director said that he'd had a conversation with NETA and the CPB. He was told that Pacifica had been suspended by the CPB in 2014. He was optimistic that after we get all of the audits done in May or June we can go to the CPB and show compliance with all areas. He said that the auditors suggested we rush these audits to completion so we're eligible for the Fall cycle of CPB Community Service Grants and maybe next year be able to apply on time. He said that the CPB looks favorably on our relationship with NETA. The CPB said that Pacifica had not been compliant with regard to Community Advisory Boards (CABs). The Executive Director said that only two of the five stations have CABs. He said that the LSBs need to see that the CABs are working, and that Pacifica needs to prove that the CABs are in place with regularly scheduled meetings, minutes of meetings, etc.

One suggestion the CPB made was to collapse the LSBs and make them the CABs. He said that the CPB feels that Pacifica is over-governed and they think we should consider alleviating some of the governance by making the LSBs into advisory boards with advisory responsibilities instead of governance responsibilities and let that governance play out at the national level.

The Executive Director said that membership in the Greater Public Organization costs \$22,500 annually. The stations are paying these fees quarterly and individually.

During this report the Executive Director said that WBAI's Nielsen ratings were "questionable." The ratings will be used by the CPB to allot the Community Service Grants.

At the March 12, 2019, NFC meeting the Executive Director told the NFC that Central Services payments have not been received, and that three of the five stations are not current, there was about \$225,000 outstanding to the National Office.

The Executive Director said that not one station made its goal in the Winter on-air fund raisers.

He said that in a cost cutting measure Pacifica is ending its lease of the KU band, which should save Pacifica about \$3,000 a month.

Pacifica is closing the National Office in Berkeley which should save about \$6,000 a month in rent.

The Executive Director said that the cost of the recent LSB elections, was \$154,644.52 or more. Paper ballot votes cost \$37.11 each, 13,000 were sent out with only 1,000 returned. E-ballots cost \$2.75 each, 29,000 were sent out and 4,681 were returned.

The Executive Director told the NFC that he'd met with *Democracy Now!* And they are "forgiving" what they say is \$2,361,828 owed by Pacifica, and a new contract will be negotiated.

At this meeting the NFC recommended the draft FY19 budgets of KPFT and WPFW to the PNB. I voted against both recommendations. The KPFT draft budget was incomplete and had any number of irregularities in it, e.g. the spreadsheet tab for Salaries was formatted for dates, not currency, and their Assumptions spreadsheet tab had fulfillment rates that looked imprecise. I was not convinced that their Listener Support revenue projection looked realistic. The WPFW draft budget consisted of one spreadsheet tab, thus not giving us enough information to make a good decision about it, in my opinion.

At the local Finance Committee meeting on March 14, 2019, the General Manager was very glad to hear about the *Democracy Now!* debt being "forgiven."

He was glad that NETA was involved, but he said that he was worried that they might not have a plan.

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The General Manager said that he wanted to see many things automated.

The General Manager said that he had spoken that day to NETA and the auditors and that WBAI was able to give them everything they'd asked for. He said that only follow-up requests were left for WBAI in this audit.

The General Manager said that WBAI is in negotiations with the SAG-AFTRA Union. He said that two hourly employees had been getting paid below the negotiated rate, and the Executive Director asked how no one had noticed this pay discrepancy. There was a discussion about WBAI Paid Staff keeping track of their pay.

The General Manager told the committee that WBAI had a lot of events coming up, some of them were almost sold out already.

The General Manager told the committee that the Winter 2019 on-air fund raiser had come in about \$19,000 short of goal despite having been extended to a total of 35 days. The goal for the Winter on-air fund raiser was \$262,000. The General Manager said the Winter 2019 on-air fund raiser had ended with a tally of \$244,109 for a daily tally of about \$6,975. This was over \$500 a day lower than had been projected in the draft FY19 budget. The General Manager talked about maybe not counting International Women's Day for this on-air fund raiser. There was disagreement from the committee on this.

The General Manager then went over the documents he had handed out. He said that the cash Profit & Loss statement was about \$100,000 in the black, but the accrual Profit & Loss statement was in the red by \$7,154. The local Finance Committee had a discussion about the financial documents. There were some problems with some of them, especially the balance sheets, and the committee members said that what the General Manager had given the committee was not really a balance sheet because things were in it that shouldn't have been.

The General Manager said that WBAI had \$16,957 cash in bank on the date of the meeting. He told the committee that the Nielsen ratings cost about \$2,000 a quarter.

The General Manager said that he had gotten an extra bill from 4 Times Square, where WBAI now has its transmitter and antenna. The bill was for the utility charges. The General Manager had thought that they had been included in the approximately \$12,000 a month that WBAI pays, but that was for rent only. The General Manager said that he was talking to NETA about how to regularly account for this utility bill. He would like to have a regular, monthly bill that's the same, rather than an extra bill every few months.

The General Manager said that the National Office had sent him a trial balance that was 15 pages long. It had some errors in it, including showing the former Programming Consultant still being paid \$995 a week. That person has not been working at WBAI for some time now.

The General Manager and the committee talked about the many events that were upcoming. The General Manager said that he was being conservative about projecting revenue from them. In answer to a question he said that he was not going to comply with the Pacifica requirement that he prepare revenue and expense projections before all off-air fund raising events, and that he would only give the committee the actual revenue and expenses after the event was over. This is not a good way to plan things.

The committee discussed an upcoming event where WBAI is sponsoring a journey to Peru for eight days in November. The General Manager told the committee that there was one person who was the tour guide and that she was in charge of the details of the journey. The committee raised concerns about there being only this one person involved, and that the General Manager did not seem to understand the potential problems involved. The General Manager said that WPFW had been invited to participate in this event and that the Executive Director knew about the event. He said that the contract between WBAI and the event planner had been sent to the Pacifica lawyer. The committee noted that the General Manager was not experienced in this field and there was a discussion of possible liabilities and the need for Errors and Omissions insurance for this event. The event Web site says, "To hold a reservation, a non-refundable, non-transferable deposit in the amount of \$1,000.00," was required. The General Manager said that WBAI would get about \$500 per person from this event. The General Manager said he would look into the issues the committee had brought up.

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A local Finance Committee meeting set for September 6, 2018, and a NFC meeting set for January 8, 2019, failed to achieve quorum and were cancelled. A NFC meeting set for April 9, 2019, failed to achieve quorum, but met anyway and voted to meet next on May 14, 2019.

The good news over the past few months has been the lessening of Pacifica's total indebtedness by over \$2 million and probably the engagement of NETA.

So far the takeover of Pacifica's finances by NETA is looking like a good move. The problems that NETA has been having in getting quality financial information from some of the stations illustrates the lack of proper accounting practices at most stations, and maybe more. That NETA is also looking to make sure that Pacifica does not violate any of the terms of the large loan that Pacifica took out to cover the ESB lease termination is an added bonus. I don't think that NETA has any close friends doing radio programs on any Pacifica radio stations. None of the NETA people really need jobs at any of the Pacifica radio stations, and I don't think NETA views the Pacifica Network as the means to achieve world domination for their particular political outlook, if they have a political outlook. NETA does, however, represent a way of doing things that is different from what has grown over the years to be the usual Pacifica way. The NETA/Pacifica relationship could still go sideways, but right now it's looking like a way out of the financial quicksand that Pacifica has wiggled itself into over time.

A previous Treasurer's report presented a motion the NFC had passed asking the PNB for information regarding the loan. It's necessary for the NFC, at least, to understand the interest payment terms of the loan so that those expenses can be counted in the stations' budgets. From what has leaked out regarding the loan those interest payments appear to become due starting in September of this year. If they're substantial enough they will be a burden for all of the Pacifica stations. Right now there is no real way to prepare for those payments since we don't know their details. Around March 2021, the principal of the loan will need to be paid off. That principal may be as much as \$4.1 million. That principal payment will require the setting aside of funds, while still paying the interest on a monthly basis and still running the radio stations, Pacifica Radio Archives and whatever the National Office metamorphoses into. So far the NFC has seen no planning for this. Maybe NETA has a great plan for paying the loan off. Maybe the PNB has come up with a great plan to pay that loan off. As the WBAI LSB Treasurer I am seeing no plan at all. That will really need to change. Some people have talked about taking out a longer term loan to pay off the current loan. I'm not sure that at this time anyone is going to lend Pacifica millions of dollars over a time period of decades.

An important thing to remember is that the Executive Director has reported that all of the Pacifica stations did not make their goals in the Winter 2019 on-air fund raisers. Most of the Spring on-air fund raisers begin in May; WBAI's is set to begin on April 28th. If it gets extended, as most WBAI on-air fund raisers do, it will not end until early June. Pacifica can't afford to have all of the stations miss their goals for the Spring on-air fund raiser. If all of the stations can meet their goals, and not drive away too many listeners by pitching too much, things may look up for the entire Pacifica Foundation. Given recent occurrences I am a bit less pessimistic about WBAI and Pacifica's finances in the short term. That loan, however, is a looming giant.

The next NFC meeting is May 14, 2019, and the next local Finance Committee meeting is April 25, 2019.

R. Paul Martin
WBAI LSB Treasurer