

WBAI Treasurer's Report  
July 10, 2019

The National Finance Committee (NFC) met on June 25, and July 9, 2019. In the interval between these two meetings the Pacifica FY17 audit was posted.

At the June 25, 2019, NFC meeting there was another discussion of the FY20 budget timeline. The budget timelines for the past few years have not been adhered to. The interim CFO said a part of the problem the NFC has been having is that we had not been getting good financial information for the past three years. She said that the errors from previous years were also being found in the FY19 actuals data, and that the bulk of the errors were from the National Office, with the stations also making errors. She told the committee that she'd bring financial information for the first five months of FY19 to the July 9, NFC meeting. She said that after that they should catch up by two months every month and that by August they should have the FY19 actuals through April.

At this meeting the NFC discussed the fact that in the Fall Pacifica will have to start paying the interest on the loan that was taken out to pay the settlement to the Empire State Realty Trust. The NFC has been told that the interest has been estimated to be between \$22,000 and \$24,000 a month. The NFC has been told over the past several months that some stations' on-air fund raisers have been frequently missing their goals. We know from experience that the Summer is usually a time when revenue income is at a low point in Pacifica. As a part of this discussion the interim CFO pointed out that only three Pacifica stations are paying Central Services fees at this time, and that she hadn't heard of any plans for paying off the interest. It was suggested that the PNB should schedule a special meeting to discuss the issue of the interest payments. Requests to stations and special community fund raiser events were discussed as ways of generating the cash needed to pay the monthly interest. In the course of this discussion **the interim CFO said that Pacifica will probably not get any Corporation for Public Broadcasting (CPB) money until 2021, because of the lateness of the audits.**

On July 1, 2019, the FY17 Pacifica audit was posted. The audit was done by Rogers & Company PLLC, and is dated June 27, 2019. The audit contains a "Disclaimer of Opinion" from the auditors because they couldn't, "obtain sufficient audit evidence to provide a basis for an audit opinion." This was mostly due to Pacifica not having gotten the pension funds audited, and in some cases not funding them, these bad practices going back a number of years. There will be fines and penalties as a result of these problems with the pensions and the auditors couldn't tell what effect they'd have on the FY17 audit.

This Treasurer's Report is not going to do any detailed survey of the FY17 audit. But a few items do stand out.

The FY17 audit is still carrying Inter-division Payables for WBAI of \$4,162,710 and an "Accrued Rent" of \$2,418,169. The former figure is the total of unpaid Central Services fees going back quite a few years. Pacifica Management had agreed to "forgive" WBAI's Central Services arrears a few years ago and had started WBAI with a fresh slate starting from October 1, 2016. The latter figure is the Empire State Building rent which should also not be a purely WBAI expense. We should all be watchful that for the FY18 audit and future audits that these figures do not continue to be carried as purely WBAI expenses.

At the July 9, 2019, NFC meeting the committee discussed the Consolidated Income Statement with Detail through the end of February 2019, which the interim CFO had sent to the committee on July 5, 2019. In going over the "Pacifica Foundation Financial Narrative for February 2019" (see Appendix

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item A) the NFC members had a number of questions and some suggestions regarding corrections to the narrative. The interim CFO said that these results were preliminary and there would be corrections. Regarding Central Serves fees payments she said that she had found that there were historical issues of recording company transactions which caused the accounting there to not work properly. The National Educational Telecommunications Association (NETA) has been reporting a lot of difficulties with how various parts of Pacifica have been recording their finances. It has made their job more difficult.

During this part of the meeting I asked for a further elucidation of the interim CFO's statement at the previous NFC meeting that the stations couldn't expect to receive any CPB money until 2021. The interim CFO said that the 2020, CPB grants would be based on our FY18 audit, and that was already long overdue. She said that when Pacifica gets its FY19 audit posted in time then we should be able to qualify for the CPB grants which will be awarded in 2021.

The interim CFO also sent the NFC a Profit & Loss (P&L) statement "For the Five Months Ending Thursday, February 28, 2019." Because the numbers are not that firm it has been requested that this P&L statement not be sent to the LSBs at this time.

For the first five months of FY19 the interim CFO's narrative and P&L show overall revenue for all of Pacifica up over the previous period in FY18, and expenses down for the same period. **Keep in mind that these figures are only for a period when all stations had already had two major on-air fund raisers and one lesser on-air fund raiser.** The P&L shows WBAI with a deficit of about \$48,000 through the end of February. Again, these figures are preliminary.

The interim CFO said that she was not comfortable enough with the figures she's gotten so far to make a balance sheet. She said that once the FY19 audit is done there shouldn't be any more issues with the accounting.

At this meeting the issue of repaying the loan was discussed. The interim CFO said that since the two east coast stations are having trouble paying their Central Services fees under ordinary circumstances that just allocating extra Central Services fees to all of the stations in order to start paying off the loan would be difficult.

During the course of this discussion the interim CFO said that the terms of the loan require that the interest be paid quarterly, not monthly as some of us had been led to believe. She said she had spoken with the lender that day and that since there's still some money left from the fund that helped to put off interest payments for the first 18 months of the loan that on September 30, Pacifica will only have to pay about \$26,000. After that the quarterly interest payments will be about \$75,000, starting with the December 31, 2019, interest payment.

The interim CFO said that by October she hopes that the accounting will be all caught up and she will be able to provide current numbers.

Regarding the notations on the audit it was noted that the Executive Director had said that such audits are generally approved by CPB, although there will probably be a lot more questions from the CPB about Pacifica's finances.

The interim CFO said that she had been on a teleconference of the PNB's Strategic Planning Committee and they're looking at ways to raise funds for paying the interest and they're looking at longer range ideas about general revenue and doing something regarding the principal for that loan.

There were concerns among some NFC members about putting out the Narrative and P&L that the interim CFO had given the committee. I made a motion regarding that.

**Motion:** (R. Paul Martin) "To authorize the Treasurers to send the narrative from the interim CFO to the LSBs with the Net Operating Gain and Board Expenses removed, and with a

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disclaimer at the top that the document is tentative.” (Passed 8 for, 1 against, 1 abstention)

At this meeting the NFC discussed the timeline for the FY20 audit. Timelines from previous years could not be applied to the FY20 audit because some of the deadlines have already passed. It was decided that the NFC would use the template of most previous years’ budget, except for the FY19 timeline which had been hopelessly mangled, except that all dates would be pushed back by three months (see Appendix item B). According to this FY20 timeline **General Managers, LSBs and local Finance Committees will need to identify and rank budget priorities by September 15, 2019. LSBs will need to approve their stations’ FY20 budgets no later than October 31, 2019.**

During the discussions at this meeting the interim CFO said that WBAI has received a bequest of about \$200,000 and Pacifica had received a bequest for about \$500,000. The WBAI General Manager has said in the past that WBAI would donate bequests to go toward paying down the loan. With these two bequests Pacifica may have about \$700,000 with which to help do that. From what we heard at this NFC meeting the previously perceived enormous pressure that Pacifica would face over the next several months to pay the interest payments for the loan, and then the principal of the loan, will be lessened.

The interim CFO said at this meeting that the interest rate on the loan is Prime plus 3%. The NFC Chair looked up the Prime Rate as of last night and it looks like the interest rate on the loan would be about 8.25%. So there is some good news from last night’s NFC meeting.

It was suggested that the NFC devote a future meeting to determining how loan repayment obligations would be allocated among the Pacifica stations.

Some NFC members said they were glad that the NFC is finally getting some financial numbers, tentative as they are. Setting the FY20 timeline was an advancement against the financial chaos that Pacifica has been suffering for some years. The bequests have come at a very opportune time, and NETA is getting a real handle on Pacifica’s finances. There is still a great deal of concern about Pacifica’s future, but at least some things are going right for the Pacifica Foundation. How to deal with that \$3,300,000 principal payment on the loan which is due in March of 2021, is still a huge question, but it looks like the interest payments won’t kill us before then.

The next NFC meeting will be on July 23, 2019, and the next local Finance Committee meeting will be on July 11, 2019.

R. Paul Martin  
WBAI LSB Treasurer

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## Appendices

### Appendix A the “Pacifica Foundation Financial Narrative for February 2019”

#### Pacifica Foundation Financial Narrative for February 2019

##### Financial Dashboard

\*Please note: FY18 audit is ongoing so we do expect significant changes to FY18 and FY19 numbers. We are aware of several adjustments that will still need to be made.\*

**Total Revenue:** Total revenue YTD through February 2019 is \$5.7M vs \$5.2M YTD February 2018, an increase of \$500K.

**Total Expenses:** Total expenses YTD through February 2019 are \$4.8M vs. \$5.2M YTD February 2018, a decrease of \$400K primarily due to reduced administration and programming costs.

##### Profit & Loss Statement

###### Revenue

**Listener Support** has decreased about \$400K compared to prior year.

**Major Donor Revenue** for YTD through February 2019 is \$1.15M vs. \$73K YTD February 2018, an increase of \$1.07M due to large gifts received by KPFA and KPFA.

**Total revenue** YTD through February 2019 is \$5.7M vs \$5.2M YTD February 2018, an increase of \$500K.

###### Expenses

**Total expenses** YTD through February 2019 are \$4.8M vs. \$5.2M YTD February 2018, a decrease of \$400K primarily due to reduced administration and programming costs.

**Personnel** expenses for the period October – February have remained steady over the past three fiscal years at around \$2.5M.

**Administrative** expenses for YTD through February 2019 are \$1.2M vs \$1.4M YTD February 2018.

**Programming** expenses YTD through February 2019 are \$283K vs \$580K YTD February 2018. We are researching the coding here to determine if there are expenses for this period that have not been recorded as this looks too low.

**Development** expenses YTD through February 2019 are \$516K vs \$560k YTD February 2018.

**Community/Special Events** expenses YTD through February 2019 are \$48K vs \$38K YTD February 2018.

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Appendix B the FY20 budget timeline

**FY20 Budget Timeline - revised July 9, 2019**

|   | <b>Deadline</b>    | <b>Who Initiates</b>  | <b>Action</b>  |
|---|--------------------|---|--|
| A | August 31, 2019    | CFO   | Meet with treasurers to outline budget development process and paperwork submission.<br><br>Call for budget Priorities to be discussed in various venues.                            |
| B | September 15, 2019 | Local Finance Committees/LSBs, in consultation with General Managers/Business Managers. | Identify and rank budget priorities in order of importance: Scale of 1-5 where 5 is high. NFC completes its recommendation on Central Services formula for the upcoming fiscal year. |
| C | September 30, 2019 | GMs/BMs, in consultation with LSBs/Local Finance Committees, ED, and CFO                | Generate Draft Station Budgets and submit to CFO.  |
| D | September 15, 2019 | CFO   | Compile and Distribute Draft Network Budget to LSBs and NFC for review.  |
| E | October 31, 2019   | LSBs<br><br>NFC   | Review Draft Station budgets (LSBs)<br>--Approve As-Is or with amendments.<br><br>National Office budget(NFC)<br>--Approve As-Is or with amendments.                                 |
| F | November 7, 2019   | CFO   | Compile and Distribute Final Budget Proposal to NFC for approval.  |
| G | November 31, 2019  | CFO   | Review Final Network Budget Make recommendations for PNB adoption.   |
| H | December 7, 2019   | CFO   | Distribute Final Budget Proposal to Board.   |
| I | December 30, 2019  | PNB   | Adopt Budget for fiscal year beginning October 1.  |